

CITY OF UTICA, MICHIGAN

UTICA, MICHIGAN

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FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

PAUL V. ENGSTROM & CO., L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS
16000 WEST TWELVE MILE ROAD
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CITY OF UTICA, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Utica, Michigan
7550 Auburn Road
Utica, Michigan 48317

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Utica, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the City of Utica, Michigan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Utica, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Utica, Michigan, as of June 30, 2008, and the respective changes in position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis, retirement system schedules of funding progress and employer contributions, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Honorable Mayor and
Members of the City Council
City of Utica, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Utica, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Paul V. Engstrom & Co., L.L.P.

Southfield, Michigan
December 19, 2008

CITY OF UTICA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

This discussion and analysis of the City of Utica, Michigan's (the City) financial position and performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2008. Please read it in conjunction with the City's financial statements.

Using This Annual Report

Two statements, the Statement of Net Assets and the Statement of Activities, report the City's finances on a government-wide basis, with a focus on long-term economic resources. Following the Government-Wide Statements are the Fund Financial Statements, which report the City's operations in more detail and focus on the City's ability to provide services in the current year.

Government-Wide Financial Statements

The Government-Wide financial statements report information about the City as a whole using accounting methods similar to those used in the private sector. The Statement of Net Assets reports all of the assets and liabilities of the City and reports the difference between the assets and liabilities as "net assets". The Statement of Activities reports all of the City's revenues and expenses for the year, regardless of the timing of cash flows.

The Government-Wide financial statements are divided into three categories: Governmental, Business-Type, and Component Units. The Governmental Activities include the basic services, such as administration, public safety, ambulance, street maintenance, and recreation. Governmental Activities are funded primarily by property tax levies, State-shared revenues and grants, with some charges for services. Business-Type Activities, which include the Sewer and Water Department and the Senior Housing facility, are primarily funded by charges for services. Component Units are legally separate entities included within the City's basic financial statements because the City is financially accountable for them.

Fund Financial Statements

The Fund financial statements provide detailed information about the City's most significant funds, not the City as a whole. Funds are accounting tools used to track specific sources of funding or expenses. State law mandates the use of certain funds. Others are established at the City Council's direction.

There are three kinds of funds: Governmental, Proprietary, and Fiduciary.

The Governmental Funds account for most of the City's basic services. The focus is on measuring the ability of the City to provide the current year's services. Capital assets and long-term liabilities are not included in the Statement of Net Assets. Revenues are reported when the cash is available to pay current obligations. Expenses are reported when the payment is made, regardless of when the liability for payment was incurred. Acquisition of capital assets and the payment of debt principal and accrued interest are reported as expenses when the cash payments are made.

The Proprietary Funds account for the services primarily funded through customer charges. Like the Government-Wide financial statements, the Proprietary Funds focus on long-term economic resources and report all assets and liabilities. Revenues and expenses are reported when incurred, regardless of the time of cash flows.

The Fiduciary Funds account for the assets that the City holds in-trust or as agent for other agencies or individuals. The Government-Wide financial statements do not report the fiduciary activities because the assets are not available to finance the City's operations.

(Continued)

CITY OF UTICA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

The City of Utica, Michigan as a Whole

The City's *combined* net assets increased by 1.11 percent over the fiscal year ending June 30, 2007, the result of an increase of total assets and a decrease of total liabilities. The following table shows, in a condensed format, the comparison of Net Assets as of June 30, 2007 and 2008.

City of Utica Net Assets (In Hundred Thousands of Dollars)							
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u>
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007 - 2008</u>
ASSETS:							
Current	\$ 36.02	\$ 36.35	\$21.56	\$20.79	\$ 57.58	\$ 57.14	- 0.76%
Non-Current	<u>91.28</u>	<u>89.47</u>	<u>62.76</u>	<u>60.33</u>	<u>154.04</u>	<u>149.80</u>	- 2.76%
Total Assets	127.30	125.82	84.32	81.12	211.62	206.94	- 2.21%
LIABILITIES:							
Current	6.32	6.16	4.35	4.42	10.67	10.58	- 21.60%
Long-Term	<u>48.61</u>	<u>45.18</u>	<u>22.20</u>	<u>19.60</u>	<u>70.81</u>	<u>64.78</u>	- 6.45%
Total Liabilities	<u>54.93</u>	<u>51.34</u>	<u>26.55</u>	<u>24.02</u>	<u>81.48</u>	<u>75.36</u>	- 7.50%
NET ASSETS:							
Invested-In Capital Assets -							
Net of Related Debt	44.69	45.62	38.31	38.13	83.00	83.75	0.90%
Restricted	20.68	18.23	5.38	6.00	26.06	24.23	- 7.00%
Unrestricted	<u>7.00</u>	<u>10.63</u>	<u>14.08</u>	<u>12.97</u>	<u>21.08</u>	<u>23.60</u>	11.95%
Total Net Assets	<u>\$ 72.37</u>	<u>\$ 74.48</u>	<u>\$57.77</u>	<u>\$57.10</u>	<u>\$130.14</u>	<u>\$131.58</u>	1.11%

Current Assets include cash, cash equivalents, and short-term accounts receivables. Non-current assets include land, buildings, and equipment, net of depreciation.

Current Liabilities are due within one year. Long-Term Liabilities are due beyond one year and consist of bonds payable and accrued employee benefits.

Invested In Capital Assets - Net of Related Debt represents the value of capital assets, net of depreciation, offset by the amount of outstanding debt issued to finance the capital assets.

Net Assets - Restricted Assets are current assets that have restrictions placed upon their use by Federal or State law, local ordinance, or grant requirements.

Net Assets - Unrestricted Assets include both designated and undesignated assets upon which there are no legally binding restrictions imposed.

(Continued)

CITY OF UTICA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

The City of Utica, Michigan as a Whole (Continued)

Total Net Assets of the Governmental Activities increased by nearly three percent (3%). The decline in liabilities offset the decline in total assets. Outstanding debt is comprised of three unlimited tax general obligation bonds issued for street repairs and an installment purchase agreement executed for the purchase of police vehicles, related equipment, and an ambulance. No debt was issued in the fiscal year ending June 30, 2008.

Total Net Assets of the Business-Type Activities decreased by approximately one percent (1%). The Water and Sewer Department completed a project to replace aging water meters and to implement a remote meter reading system that utilizes radio signals. No debt was incurred to finance this project. The Sewer and Water Fund has two outstanding revenue bonds issued for infrastructure improvements. The Municipal Building Authority has one limited tax general obligation refunding bond outstanding for the senior citizen apartment building.

(Continued)

CITY OF UTICA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

The City of Utica, Michigan as a Whole (Continued)

The following table shows the Changes in Net Assets for the year ended June 30, 2008:

City of Utica Changes in Net Assets (In Hundred Thousands of Dollars)							
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u>
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007 - 2008</u>
REVENUES:							
Program:							
Charges for Services	\$12.32	\$12.86	\$ -	\$ -	\$12.32	\$12.86	4.35%
Sewer and Water	-	-	14.92	15.75	14.92	15.75	5.57%
Senior Housing	-	-	3.20	3.09	3.20	3.09	- 3.66%
Operating Grants and Contributions	4.13	3.03	-	-	4.13	3.03	- 26.66%
Capital Grants and Contributions	1.27	0.58	0.13	0.38	1.40	0.96	31.51%
General:							
Property Taxes	39.43	43.31	-	-	39.43	43.31	9.84%
State-Shared Revenue	4.41	4.41	-	-	4.41	4.41	- %
Unrestricted Investment Earnings	1.96	1.62	0.93	0.65	2.89	2.27	- 21.32%
Gain (Loss) on Disposal of Capital Assets	0.19	0.07	-	-	0.19	0.07	- 62.17%
Cable Fees	0.69	0.71	-	-	0.69	0.71	3.34%
Miscellaneous	<u>1.29</u>	<u>0.22</u>	<u>0.16</u>	<u>-</u>	<u>1.45</u>	<u>0.22</u>	- 84.87%
Total Revenues	65.69	66.81	19.34	19.87	85.03	86.68	1.94%
PROGRAM EXPENSES:							
General Government	16.69	14.94	-	-	16.69	14.94	- 10.48%
Public Safety	31.00	31.89	-	-	31.00	31.89	2.85%
Health and Welfare - Ambulance	2.41	2.90	-	-	2.41	2.90	20.20%
Public Works	9.39	10.78	-	-	9.39	10.78	14.87%
Recreation and Cultural	1.95	2.17	-	-	1.95	2.17	11.29%
Interest and Fees on Long-Term Debt	2.24	2.01	-	-	2.24	2.01	- 9.97%
Sewer and Water	-	-	15.27	17.49	15.27	17.49	14.56%
Senior Housing	-	-	1.89	2.14	1.89	2.14	13.02%
Interest and Fees on Long-Term Debt:							
Sewer and Water	-	-	0.32	0.29	0.32	0.29	- 10.88%
Senior Housing	<u>-</u>	<u>-</u>	<u>0.66</u>	<u>0.63</u>	<u>0.66</u>	<u>0.63</u>	- 4.50%
Total Program Expenses	63.68	64.69	18.14	20.55	81.82	85.24	4.18%
Changes In Net Assets	<u>\$ 2.01</u>	<u>\$ 2.12</u>	<u>\$ 1.20</u>	<u>(\$ 0.68)</u>	<u>\$ 3.21</u>	<u>\$ 1.44</u>	- 55.13%

(Continued)

CITY OF UTICA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Governmental Activities

Governmental Activity revenues totaled \$6.68 million. Property taxes, at sixty-five percent (65%), are the primary source of revenue, followed by charges for services at nineteen percent (19%), State-shared revenues at seven percent (7%), and operating grants and contribution at five percent (5%). The State Sales Tax is the primary source of State-shared revenues.

Governmental Activity expenses totaled \$6.47 million, of which general government activities accounted for twenty-three percent (23%), police and fire accounted for forty-nine percent (49%), and public works accounted for seventeen percent (17%).

The City contributed to both of its defined benefit pension systems the percent of payroll required by the most recent actuarial valuations.

Business-Type Activities

The City has two Business-Type Activities, the Sewer and Water Fund and the Senior Housing Fund. The Sewer and Water Operations are funded directly through user fees and charges for services. The Senior Housing Operations and Debt Service are funded directly through rental fees.

The Sewer and Water Fund collected \$1.57 million in charges for service and had \$1.75 million in operating expenses. The City purchases water from the Detroit water system and pays Detroit to treat the City's sewage. The City historically adjusts sewer and water rates annually to cover rate increases from Detroit and to cover the operating costs and debt service payments. In the fiscal year ending June 30, 2008, the City did not pass along the rate increase from Detroit.

The Sewer and Water Fund has two outstanding revenue bond issues, which generated \$28 thousand of interest expense and fees.

The Senior Housing Fund collected \$309 thousand in rental charges and had \$214 thousand in operating expenses. The Senior Housing Fund experienced an unusually high vacancy rate which, coupled with a rise in the cost of equipment maintenance, resulted in a net liability for the year. The Senior Housing Fund has an outstanding general obligation bond issue, which generated \$62.5 thousand of interest expense and fees.

The City's Funds

Following the Government-Wide financial statements is an analysis of the City's major funds. The major funds are the General Fund, the Major Street Fund, the Local Street Fund, and the 2001 Street Improvement Fund. The Major and Local Street Funds are established to account for State of Michigan Act 51 revenue sharing. The 2001 Street Improvement Fund accounts for the bond proceeds authorized by the citizens in 2001 for local street improvement projects.

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CITY OF UTICA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

General Fund Budgetary Highlights

The City monitors and amends the budget during the year to account for unanticipated events. The City amended the General Fund budget by an additional \$24 thousand to reflect federal grants in excess of original projections.

The budgeted expenditures were increased by seven percent (7%). The General Government expenditures were amended to reflect higher than anticipated Board of Review and Tax Tribunal adjustments and the pledge of Parks and Recreation Funds as matching funds for an MNR Trust Fund grant the City applied for. In the Police Department, the increases were primarily due to payroll and equipment purchases. The Fire Department budget was increased due to payroll and equipment purchases. The Ambulance budget was amended due to increased run activity and the purchase of equipment. The Street Department (Public Works) budget was increased to cover the purchase of a street sweeper. The Parks Department utilized available CDBG grant funds to improve the facilities at Grant Park.

Capital Assets and Long-Term Debt Administration

On June 30, 2008, the City had \$8.375 million invested, net of related debt, in capital assets: land, buildings, equipment, streets, sidewalks, storm drains, and water and sewer mains.

The City has three outstanding unlimited tax general obligation bonds issued for street repairs and two revenue bonds outstanding for sewer and water improvements. In addition, the City pledges its full faith and credit to support two limited tax general obligation bonds. One, issued by the Municipal Building Authority to finance the senior citizen apartment building on Greeley Street, is supported by rent revenues. The other, issued by the Downtown Development Authority to finance streetscape improvements on Auburn Road and Cass Avenue, is supported by a tax increment financing plan. Additionally, the City has one installment purchase agreement outstanding for the financing of public safety vehicles and equipment.

The City has been awarded Federal road funds through the Transportation Improvement Program to reconstruct Auburn Road and Cass Avenue in the summer of 2008. The City will utilize Act 51 funds to provide the match for Federal funds.

The City has been awarded a grant from the Michigan Department of Environmental Quality to prepare a long-range plan to provide for the sanitary sewer demands of the City.

The City has been awarded a grant from the Michigan Natural Resources Trust Fund to build a portion of the multi-use trail that is to link Metro Beach Metro Park with Stony Creek Metro Park. The City has pledged Parks and Recreation funds and Act 51 funds, together with a pledge of Downtown Development Authority funds, to match the MNR grant.

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CITY OF UTICA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Economic Factors and Next Year's Budgets and Rates

The State of Michigan continues to struggle economically, as it transitions from a predominantly manufacturing economy to a service economy. Macomb County has been impacted significantly, because of the large presence of automotive manufacturing facilities. Housing prices have declined and foreclosure rates risen.

Revenue growth from property taxes is expected to decline in the short-term because of the relationship between Taxable Value, State Equalized Value, and the housing market. The City is levying the maximum operating millages permitted by the Headlee Amendment.

Payroll and employee benefits represent a significant portion of the City's operating costs. In negotiating its new contract effective July 1, 2008, the Police Officers' Association agreed to the closure of the defined benefit pension plan to future hires; instead, the future hires will be offered a defined contribution pension plan. The employees in all of the bargaining units agreed to a change to the health benefits plan, effective September 1, 2008, in order to lower the premium costs of the employer.

For the ensuing fiscal year, non-essential equipment purchases have been deferred.

The City has retained the services of a professional grant writer to assist with the procurement of Federal, State, and private grants.

Contacting the City's Financial Management

This financial report is intended to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, you may contact the Finance Director at the City of Utica, 7550 Auburn Road, Utica, Michigan 48317.

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CITY OF UTICA, MICHIGAN

GOVERNMENT-WIDE
STATEMENT OF NET ASSETS
JUNE 30, 2008

	PRIMARY GOVERNMENT			Component Units
	Governmental Activities	Business- Type Activities	Total	
ASSETS:				
Cash and Cash Equivalents (Notes A4 and C)	\$ 2,721,008	\$1,122,263	\$ 3,843,271	\$1,074,695
Receivables: (Note A4)				
Taxes	41,837	-	41,837	1,688
Accounts	24,077	1,995	26,072	10,435
Sewer and Water Bills	-	126,043	126,043	-
Unbilled Sewer and Water Bills	-	212,744	212,744	-
Due From Other Governments - State	125,670	-	125,670	950
Internal Balances	17,898	(7,328)	10,570	(10,500)
Deposits-On Contracts	562,400	-	562,400	-
Restricted Assets - Cash (Note C)	142,757	623,615	766,372	-
Capital Assets Not Being Depreciated (Notes A4 and D)	839,900	7,095	846,995	402,221
Capital Assets Being Depreciated - Net (Notes A4 and D)	8,106,749	5,905,236	14,011,985	1,040,985
Deferred Charges - Unamortized Bond Discounts and Costs (Note A4)	-	120,981	120,981	-
Total Assets	12,582,296	8,112,644	20,694,940	2,520,474
LIABILITIES:				
Accounts Payable	95,267	143,346	238,613	2,999
Accrued Liabilities	167,596	15,472	183,068	14,592
Payable From Restricted Assets - Security Deposits	-	23,590	23,590	-
Non-Current Liabilities: (Notes A4 and F)				
Due Within One Year	352,946	260,000	612,946	125,000
Due In More Than One Year	4,518,021	1,960,000	6,478,021	440,000
Total Liabilities	5,133,830	2,402,408	7,536,238	582,591
NET ASSETS:				
Invested-In Capital Assets - Net of Related Debt	4,562,039	3,813,312	8,375,351	878,206
Restricted For:				
Street and Highway Maintenance	1,148,231	-	1,148,231	-
Liquor Law Enforcement	22,137	-	22,137	-
Building Code Enforcement	312,816	-	312,816	-
Drug Enforcement	19,239	-	19,239	-
Debt Service	-	329,902	329,902	31,656
Capital Projects	177,787	270,123	447,910	-
Police Training and Enforcement	34,211	-	34,211	-
Fire Equipment	103,046	-	103,046	-
Downtown Development	5,500	-	5,500	909,663
Library Operations	-	-	-	118,358
Unrestricted:				
Designated For:				
Street Equipment Replacement	131,607	-	131,607	-
Police Equipment Replacement	121,843	-	121,843	-
Parks Development	126,775	-	126,775	-
Parks Vehicle Replacement	1,000	-	1,000	-
Administrative Equipment Replacement	84,352	-	84,352	-
Video Equipment	2,118	-	2,118	-
Undesignated	595,765	1,296,899	1,892,664	-
Total Net Assets	\$ 7,448,466	\$5,710,236	\$13,158,702	\$1,937,883

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes In Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
PRIMARY GOVERNMENT:								
Governmental Activities:								
General Government	\$1,494,087	\$ 544,913	\$ -	\$ -	(\$ 949,174)	\$ -	(\$ 949,174)	
Public Safety	3,188,812	301,903	56,153	57,554	(2,773,202)	-	(2,773,202)	
Health and Welfare - Ambulance	289,803	221,256	-	-	(68,547)	-	(68,547)	
Public Works	1,078,311	186,036	246,922	-	(645,353)	-	(645,353)	
Recreation and Cultural	216,797	31,501	-	-	(185,296)	-	(185,296)	
Interest and Fees on Long-Term Debt	<u>201,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(201,408)</u>	<u>-</u>	<u>(201,408)</u>	
Total Governmental Activities	<u>\$6,469,218</u>	<u>\$1,285,609</u>	<u>\$303,075</u>	<u>\$ 57,554</u>	<u>(4,822,980)</u>	<u>-</u>	<u>(4,822,980)</u>	
Business-Type Activities:								
Sewer and Water	\$1,749,488	\$1,575,449	\$ -	\$38,256	-	(135,783)	(135,783)	
Senior Housing	213,850	308,687	-	-	-	94,837	94,837	
Interest and Fees on Long-Term Debt:								
Sewer and Water	28,401	-	-	-	-	(28,401)	(28,401)	
Senior Housing	<u>62,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(62,570)</u>	<u>(62,570)</u>	
Total Business-Type Activities	<u>\$2,054,309</u>	<u>\$1,884,136</u>	<u>\$ -</u>	<u>\$38,256</u>	<u>-</u>	<u>(131,917)</u>	<u>(131,917)</u>	
Total Primary Government					<u>(4,822,980)</u>	<u>(131,917)</u>	<u>(4,954,897)</u>	
COMPONENT UNITS:								
Downtown Development - Public Works	\$137,536	\$ -	\$ -	\$ -	-	-	-	(\$ 137,536)
Interest and Fees on Long-Term Debt -								
Downtown Development	30,518	-	-	-	-	-	-	(30,518)
Brownfield Redevelopment - Public Works	-	-	-	-	-	-	-	-
Library - Cultural	<u>179,714</u>	<u>3,659</u>	<u>15,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(160,113)</u>
Total Component Units	<u>\$347,768</u>	<u>\$3,659</u>	<u>\$15,942</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(328,167)</u>
GENERAL REVENUES:								
Property Taxes					4,330,713	-	4,330,713	561,631
State-Shared Revenues					441,130	-	441,130	-
Unrestricted Interest Earnings					162,385	64,971	227,356	39,931
Gain (Loss) on Disposal of Capital Assets					7,166	-	7,166	-
Cable Fees					70,847	-	70,847	-
Miscellaneous					<u>21,942</u>	<u>4</u>	<u>21,946</u>	<u>3,312</u>
Total General Revenues					<u>5,034,183</u>	<u>64,975</u>	<u>5,099,158</u>	<u>604,874</u>
CHANGE IN NET ASSETS					211,203	(66,942)	144,261	276,707
NET ASSETS, JULY 1, 2007					<u>7,237,263</u>	<u>5,777,178</u>	<u>13,014,441</u>	<u>1,661,176</u>
NET ASSETS, JUNE 30, 2008					<u>\$7,448,466</u>	<u>\$5,710,236</u>	<u>\$13,158,702</u>	<u>\$1,937,883</u>

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008

		<u>Special Revenue Funds</u>			
	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:					
Cash and Cash Equivalents (Notes A4 and C)	\$1,624,645	\$233,774	\$325,683	\$536,906	\$2,721,008
Receivables: (Note A4)					
Taxes	41,837	-	-	-	41,837
Accounts	19,919	-	-	4,158	24,077
Due From Other Funds (Note E)	18,221	-	-	-	18,221
Due From Other Governments - State	85,218	28,433	12,019	-	125,670
Deposits-On Contracts	-	562,400	-	-	562,400
Restricted Assets - Cash (Note C)	<u>142,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>142,757</u>
 Total Assets	<u>\$1,932,597</u>	<u>\$824,607</u>	<u>\$337,702</u>	<u>\$541,064</u>	<u>\$3,635,970</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 72,427	\$ 14,078	\$ -	\$ 8,762	\$ 95,267
Accrued Liabilities	76,065	-	-	-	76,065
Due To Other Funds (Note E)	<u>-</u>	<u>-</u>	<u>-</u>	<u>323</u>	<u>323</u>
 Total Liabilities	<u>148,492</u>	<u>14,078</u>	<u>-</u>	<u>9,085</u>	<u>171,655</u>
Fund Balances:					
Reserved For:					
Police Training and Enforcement	34,211	-	-	-	34,211
Fire and Ambulance Equipment	103,046	-	-	-	103,046
Parking District	5,500	-	-	-	5,500
Unreserved:					
Designated	467,695	-	-	-	467,695
Undesignated, Reported In:					
General Fund	1,173,653	-	-	-	1,173,653
Special Revenues Funds	-	810,529	337,702	354,192	1,502,423
Capital Projects Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>177,787</u>	<u>177,787</u>
 Total Fund Balances	<u>1,784,105</u>	<u>810,529</u>	<u>337,702</u>	<u>531,979</u>	<u>3,464,315</u>
 Total Liabilities and Fund Balances	<u>\$1,932,597</u>	<u>\$824,607</u>	<u>\$337,702</u>	<u>\$541,064</u>	<u>\$3,635,970</u>

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

GOVERNMENTAL FUNDS
RECONCILIATION OF FUND BALANCES TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total Fund Balance for Governmental Funds	\$3,464,315
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used In Governmental Activities Are Not Financial Resources And Are Not Reported In The Funds	8,946,649
The Funds Do Not Report Note Or Bond Indebtedness As A Liability Until It Comes Due For Payment	(4,384,610)
Accrued Interest Payable Is Not Reported In The Funds	(91,531)
Long-Term Portion Of Compensated Absences Are Not Due And Payable In The Current Period And Are Not Reported In The Funds	(<u>486,357</u>)
Net Assets of Governmental Activities	<u>\$7,448,466</u>

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

		<u>Special Revenue Funds</u>			
	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Taxes and Penalties	\$4,330,713	\$ -	\$ -	\$ -	\$4,330,713
Property Tax Administrative Fee	114,977	-	-	-	114,977
Licenses and Permits	13,531	-	-	99,479	113,010
Intergovernmental Revenue:					
Federal	71,521	-	-	-	71,521
State	451,770	173,578	73,344	-	698,692
Drug Forfeitures	-	-	-	9,411	9,411
Fines and Costs	261,416	-	-	100	261,516
Charges For Services	518,528	-	-	-	518,528
Rental Income	21,250	-	-	27,695	48,945
Cable Royalties	70,847	-	-	-	70,847
Interest On Investments	93,123	35,028	12,722	21,512	162,385
Other	<u>283,785</u>	<u>-</u>	<u>-</u>	<u>150</u>	<u>283,935</u>
Total Revenues	<u>6,231,461</u>	<u>208,606</u>	<u>86,066</u>	<u>158,347</u>	<u>6,684,480</u>
EXPENDITURES:					
Current:					
General Government:					
Legislative and Executive	39,983	-	-	-	39,983
Elections	12,015	-	-	-	12,015
Assessor's Department	29,115	-	-	-	29,115
Legal Department	91,907	-	-	-	91,907
Clerk's Department	196,859	-	-	-	196,859
Treasurer's Department	198,003	-	-	-	198,003
Building Code Enforcement	-	-	-	184,024	184,024
Building Improvement and Maintenance	38,704	-	-	20,343	59,047
Rubbish Disposal	169,451	-	-	-	169,451
425 Agreement (Note K)	306,540	-	-	-	306,540
Other	<u>181,531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>181,531</u>
Total General Government	1,264,108	-	-	204,367	1,468,475
Public Safety:					
Police Department	2,507,501	-	-	7,429	2,514,930
Fire Department	506,190	-	-	-	506,190
Health and Welfare - Ambulance	228,370	-	-	-	228,370
Public Works	521,260	167,599	75,098	-	763,957
Recreation and Cultural	200,147	-	-	-	200,147
Capital Outlay	138,432	239,605	-	8,256	386,293
Debt Service:					
Principal Retirement	274,213	-	-	-	274,213
Interest and Debt Service Fees	<u>219,721</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>219,721</u>
Total Expenditures	<u>5,859,942</u>	<u>407,204</u>	<u>75,098</u>	<u>220,052</u>	<u>6,562,296</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES -					
Net Change In Fund Balances	371,519	(198,598)	10,968	(61,705)	122,184
FUND BALANCES, JULY 1, 2007	<u>1,412,586</u>	<u>1,009,127</u>	<u>326,734</u>	<u>593,684</u>	<u>3,342,131</u>
FUND BALANCES, JUNE 30, 2008	<u>\$1,784,105</u>	<u>\$ 810,529</u>	<u>\$337,702</u>	<u>\$531,979</u>	<u>\$3,464,315</u>

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net Change In Fund Balances - Total Governmental Funds \$122,184

Amounts Reported For Governmental Activities In The Statement Of
Activities Are Different Because:

Governmental Funds Report Capital Outlays As Expenditures;
In The Statement Of Activities, These Costs Are Allocated Over
Their Estimated Useful Lives As Depreciation (177,561)

The Repayment of Principal On Notes And Bonds Payable Is
An Expenditure In The Governmental Funds, But Not In The
Statement Of Activities (Where It Reduces Long-Term Debt) 274,213

Interest Expense Is Reported In The Statement Of Activities When
A Liability Is Incurred; They Are Reported In the Governmental
Funds Only When Payment Is Due 6,966

Change In Accumulated Employee Sick And Vacation Pay Are
Recorded When Earned In The Statement of Activities (10,540)

Proceeds From The Disposal Of Capital Assets Are Reported
As Revenue In The Governmental Funds; The Undepreciated
Cost Of The Assets Disposed Is Removed From The Capital
Asset Account And Offset Against The Sale Proceeds In The
Statement Of Activities (4,059)

Change In Net Assets of Governmental Activities \$211,203

CITY OF UTICA, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Enterprise Funds</u>			
	<u>Senior Housing Operations</u>	<u>Municipal Building Authority Senior Housing</u>	<u>Sewer and Water</u>	<u>Total</u>
ASSETS:				
Current Assets:				
Cash and Cash Equivalents (Notes A4 and C)	\$ -	\$ -	\$1,122,263	\$1,122,263
Receivables: (Note A4)				
Accounts	1,995	-	-	1,995
Sewer and Water Bills	-	-	126,043	126,043
Unbilled Sewer and Water Service Income	-	-	212,744	212,744
Total Current Assets	<u>1,995</u>	<u>-</u>	<u>1,461,050</u>	<u>1,463,045</u>
Non-Current Assets:				
Deferred Charges - Unamortized Bond Discount and Costs	-	103,541	17,440	120,981
Restricted Assets - (Note C)				
Cash-In-Bank:				
Security Deposits	23,590	-	-	23,590
Improvement and Expansion	-	-	270,123	270,123
Reserve For Bond Debt	-	114,005	215,897	329,902
Capital Assets Not Being Depreciated - Land (Notes A4 and D)	-	2,000	5,095	7,095
Capital Assets Being Depreciated - Net (Notes A4 and D)	<u>97</u>	<u>1,855,660</u>	<u>4,049,479</u>	<u>5,905,236</u>
Total Non-Current Assets	<u>23,687</u>	<u>2,075,206</u>	<u>4,558,034</u>	<u>6,656,927</u>
Total Assets	<u>25,682</u>	<u>2,075,206</u>	<u>6,019,084</u>	<u>8,119,972</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	3,823	-	139,523	143,346
Accrued Interest On Bonds	-	8,368	7,104	15,472
Due To Other Funds (Note E)	7,328	-	-	7,328
Current Portion Of Bonds Payable (Notes A4 and F)	-	140,000	120,000	260,000
Total Current Liabilities	<u>11,151</u>	<u>148,368</u>	<u>266,627</u>	<u>426,146</u>
Non-Current Liabilities:				
Payable From Restricted Assets - Security Deposits	23,590	-	-	23,590
Long-Term Liabilities - Bonds Payable (Notes A4 and F)	-	1,495,000	465,000	1,960,000
Total Non-Current Liabilities	<u>23,590</u>	<u>1,495,000</u>	<u>465,000</u>	<u>1,983,590</u>
Total Liabilities	<u>34,741</u>	<u>1,643,368</u>	<u>731,627</u>	<u>2,409,736</u>
NET ASSETS:				
Invested-In Capital Assets - Net of Related Debt	97	326,201	3,487,014	3,813,312
Restricted For:				
Debt Service	-	114,005	215,897	329,902
Improvement and Expansion	-	-	270,123	270,123
Unrestricted	(9,156)	(8,368)	1,314,423	1,296,899
Total Net Assets	<u>(\$ 9,059)</u>	<u>\$ 431,838</u>	<u>\$5,287,457</u>	<u>\$5,710,236</u>

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Enterprise Funds</u>			
	Senior Housing Operations	Municipal Building Authority Senior Housing	Sewer and Water	Total
OPERATING REVENUES:				
Charges for Services:				
Rent	\$236,948	\$ -	\$ -	\$ 236,948
Maintenance Fees	70,910	-	-	70,910
Cleaning and Painting Fee	829	-	-	829
Sewer and Water Charges	-	-	1,552,703	1,552,703
Penalty Charges	-	-	22,746	22,746
Miscellaneous	4	-	-	4
Total Operating Revenues	<u>308,691</u>	<u>-</u>	<u>1,575,449</u>	<u>1,884,140</u>
OPERATING EXPENSES:				
Wages, Payroll Taxes, and Benefits	13,090	-	347,246	360,336
Office and Administration	1,969	-	19,360	21,329
Water Purchase and Surcharge	-	-	554,255	554,255
Waste Disposal	-	-	535,602	535,602
Maintenance and Repairs:				
System	-	-	16,633	16,633
Building	64,901	-	1,738	66,639
Apartment Prep	7,053	-	-	7,053
Supplies	-	-	16,853	16,853
Engineering Fees	-	-	5,206	5,206
Utilities	31,437	-	16,585	48,022
Depreciation	89	57,870	171,535	229,494
Insurance	23,424	-	44,790	68,214
Equipment:				
Maintenance, Repair, Fuel	-	-	16,688	16,688
Replacement and Rental	-	-	193	193
Building Rent		-	-	2,000
2,000				
Custodial Service and Supplies	6,578	-	360	6,938
Rubbish Disposal	7,301	-	-	7,301
Miscellaneous	138	-	444	582
Total Operating Expenses	<u>155,980</u>	<u>57,870</u>	<u>1,749,488</u>	<u>1,963,338</u>
OPERATING INCOME (LOSS)	<u>152,711</u>	<u>(57,870)</u>	<u>(174,039)</u>	<u>(79,198)</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest on Investments	1,957	2,991	60,023	64,971
Interest Expense and Debt Service Fees	-	(62,570)	(28,401)	(90,971)
Total Non-Operating Revenues (Expenses)	<u>1,957</u>	<u>(59,579)</u>	<u>31,622</u>	<u>(26,000)</u>
Income (Loss) Before Contributions and Operating Transfers	154,668	(117,449)	(142,417)	(105,198)
CONTRIBUTIONS AND OPERATING TRANSFERS:				
Capital Contributions	-	-	38,256	38,256
Operating Transfers In	-	186,240	-	186,240
Operating Transfers Out	(186,240)	-	-	(186,240)
CHANGE IN NET ASSETS	<u>(31,572)</u>	<u>68,791</u>	<u>(104,161)</u>	<u>(66,942)</u>
TOTAL NET ASSETS, JULY 1, 2007	<u>22,513</u>	<u>363,047</u>	<u>5,391,618</u>	<u>5,777,178</u>
TOTAL NET ASSETS, JUNE 30, 2008	<u>(\$ 9,059)</u>	<u>\$431,838</u>	<u>\$5,287,457</u>	<u>\$5,710,236</u>

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Enterprise Funds</u>			
	Senior Housing Operations	Municipal Building Authority Senior Housing	Sewer and Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$307,167	\$ -	\$1,595,989	\$1,903,156
Cash Payments to Suppliers for Goods and Services	(149,972)	-	(1,252,805)	(1,402,777)
Cash Payments to Employees for Services	-	-	(347,246)	(347,246)
Other Operating Revenues	<u>4</u>	<u>-</u>	<u>-</u>	<u>4</u>
Net Cash Provided By (Used In) Operating Activities	<u>157,199</u>	<u>-</u>	<u>(4,062)</u>	<u>153,137</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES - Security Deposits - Net	<u>(2,585)</u>	<u>-</u>	<u>-</u>	<u>(2,585)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchases and Construction of Capital Assets	-	-	(2,742)	(2,742)
Principal Paid-On Capital Debt	-	(125,000)	(100,000)	(225,000)
Interest and Debt Service Fees Paid-On Capital Debt	-	(51,997)	(24,439)	(76,436)
Contributed Capital - Taps	-	-	38,256	38,256
Cash Transfer for Debt Service Requirements	<u>(186,240)</u>	<u>186,240</u>	<u>-</u>	<u>-</u>
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(186,240)</u>	<u>9,243</u>	<u>(88,925)</u>	<u>(265,922)</u>
CASH FLOWS FROM INVESTING ACTIVITIES -				
Interest and Dividends On Investments	<u>1,957</u>	<u>2,991</u>	<u>60,023</u>	<u>64,971</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(29,669)</u>	<u>12,234</u>	<u>(32,964)</u>	<u>(50,399)</u>
CASH AND CASH EQUIVALENTS, JULY 1, 2007	<u>53,259</u>	<u>101,771</u>	<u>1,641,247</u>	<u>1,796,277</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2008	<u>\$ 23,590</u>	<u>\$114,005</u>	<u>\$1,608,283</u>	<u>\$1,745,878</u>

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

PROPRIETARY FUNDS
SCHEDULE OF RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Enterprise Funds</u>			
	Senior Housing Operations	Municipal Building Authority Senior Housing	Sewer and Water	Total
OPERATING INCOME (LOSS)	\$152,711	(\$57,870)	(\$174,039)	(\$ 79,198)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Depreciation and Amortization	89	57,870	171,535	229,494
Changes In Assets and Liabilities:				
(Increase) Decrease In -				
Accounts Receivable	(1,520)	-	20,540	19,020
Increase (Decrease) In:				
Accounts Payable	(1,409)	-	(22,098)	(23,507)
Due To Other Funds	<u>7,328</u>	<u>-</u>	<u>-</u>	<u>7,328</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$157,199</u>	<u>\$ -</u>	<u>(\$ 4,062)</u>	<u>\$153,137</u>
The following information is provided as a reconciliation between certain amounts reported in the Statement of Cash Flows and the amounts in the Statement of Revenues, Expenses, and Changes in Net Assets:				
CHARGES FOR SERVICES	\$308,687	\$ -	\$1,575,449	\$1,884,136
PLUS - Beginning Receivables	475	-	359,327	359,802
LESS - Ending Receivables	<u>(1,995)</u>	<u>-</u>	<u>(338,787)</u>	<u>(340,782)</u>
Cash Received From Customers	<u>\$307,167</u>	<u>\$ -</u>	<u>\$1,595,989</u>	<u>\$1,903,156</u>
OPERATING EXPENSES	\$155,980	\$57,870	\$1,749,488	\$1,963,338
DEPRECIATION AND AMORTIZATION	(89)	(57,870)	(171,535)	(229,494)
PLUS - Accounts Payable and Due To Other Funds, June 30, 2007	5,232	-	161,621	166,853
LESS - Accounts Payable and Due To Other Funds, June 30, 2008	<u>(11,151)</u>	<u>-</u>	<u>(139,523)</u>	<u>(150,674)</u>
CASH PAID TO SUPPLIERS AND EMPLOYEES	149,972	-	1,600,051	1,750,023
LESS - Cash Paid To Employees	<u>-</u>	<u>-</u>	<u>(347,246)</u>	<u>(347,246)</u>
Cash Paid To Suppliers	<u>\$149,972</u>	<u>\$ -</u>	<u>\$1,252,805</u>	<u>\$1,402,777</u>

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Non-Expendable Trust Fund	Agency Funds	
	Police Retirement System	Current Tax Collection	Trust and Agency
ASSETS:			
Cash and Cash Equivalents	\$ 257,714	\$16,674	\$1,138
Receivables - Accrued Interest	19,107	-	-
Investments - At Fair Value:			
U.S. Government Obligations	188,383	-	-
U.S. Government Agencies	1,135,979	-	-
Corporate Bonds	1,347,568	-	-
Corporate Stocks	<u>2,830,994</u>	<u>-</u>	<u>-</u>
Total Assets	<u>5,779,745</u>	<u>\$16,674</u>	<u>\$1,138</u>
LIABILITIES:			
Accounts Payable	67,722	\$16,604	\$ 247
Due to Other Funds (Note E)	-	70	
Due to Other Governments	<u>-</u>	<u>-</u>	<u>891</u>
Total Liabilities	<u>67,722</u>	<u>\$16,674</u>	<u>\$1,138</u>
NET ASSETS - Held-In-Trust for Retirement Benefits	<u>\$5,712,023</u>		

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
JUNE 30, 2008

	Non-Expendable Trust Fund Police Retirement System
ADDITIONS:	
Contributions:	
Employer	\$ 273,997
Plan Members	<u>64,093</u>
Total Contributions	<u>338,090</u>
Investment Income (Loss):	
Net Appreciation (Depreciation) in Fair Value of Investments	(266,185)
Interest	144,233
Dividends	<u>59,655</u>
Total Investment Loss	(<u>62,297</u>)
Less Investment Expenses:	
Financial Consultant Fees	42,341
Brokerage Fees	2,725
Trustee Fees	<u>100</u>
Total Investment Expenses	<u>45,166</u>
Net Investment Loss	(<u>107,463</u>)
Total Additions	230,627
DEDUCTIONS:	
Benefit Payments	268,718
Legal Fees	2,294
Actuarial Fees	4,500
Training and Meetings	8,858
Miscellaneous	<u>330</u>
Total Deductions	<u>284,700</u>
CHANGE IN NET ASSETS	(54,073)
NET ASSETS HELD-IN-TRUST FOR PENSION BENEFITS:	
Beginning of Year, July 1, 2007	<u>5,766,096</u>
End of Year, June 30, 2008	<u>\$5,712,023</u>

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

COMPONENT UNITS
STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>	<u>Library</u>	<u>Total</u>
ASSETS:				
Cash	\$ 950,136	\$ 65	\$124,494	\$1,074,695
Receivables:				
Taxes	-	-	1,688	1,688
Accounts		10,435	-	10,435
Due From State	-	-	950	950
Capital Assets Not Being Depreciated - Books	-	-	402,221	402,221
Capital Assets Being Depreciated - Net	<u>1,032,114</u>	<u>-</u>	<u>8,871</u>	<u>1,040,985</u>
Total Assets	<u>1,982,250</u>	<u>10,500</u>	<u>538,224</u>	<u>2,530,974</u>
LIABILITIES:				
Accounts Payable	1,569	-	1,430	2,999
Accrued Liabilities	7,248	-	7,344	14,592
Due To Other Funds	-	10,500	-	10,500
Long-Term Liabilities:				
Due Within One Year	125,000	-	-	125,000
Due In More Than One Year	<u>440,000</u>	<u>-</u>	<u>-</u>	<u>440,000</u>
Total Liabilities	<u>573,817</u>	<u>10,500</u>	<u>8,774</u>	<u>593,091</u>
NET ASSETS:				
Invested-In Capital Assets, Net of Related Debt	467,114	-	411,092	878,206
Restricted for Downtown Development	909,663	-	-	909,663
Restricted for Library Operations	-	-	118,358	118,358
Restricted for Downtown Development Debt	<u>31,656</u>	<u>-</u>	<u>-</u>	<u>31,656</u>
Total Net Assets	<u>\$1,408,433</u>	<u>\$ -</u>	<u>\$529,450</u>	<u>\$1,937,883</u>

See Notes to Financial Statements.

CITY OF UTICA, MICHIGAN

COMPONENT UNITS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes In Net Assets			Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Brownfield Redevelopment Authority	Library	
DOWNTOWN DEVELOPMENT AUTHORITY:								
Public Works	\$137,536	\$ -	\$ -	\$ -	(\$ 137,536)	\$ -	\$ -	(\$ 137,536)
Interest and Fees on Long-Term Debt	<u>30,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,518)</u>	<u>-</u>	<u>-</u>	<u>(30,518)</u>
Total Downtown Development Authority	168,054	-	-	-	(168,054)	-	-	(168,054)
BROWNFIELD REDEVELOPMENT AUTHORITY -								
Public Works	-	-	-	-	-	-	-	-
LIBRARY - Cultural	<u>179,714</u>	<u>3,659</u>	<u>15,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(160,113)</u>	<u>(160,113)</u>
Total Component Units	<u>\$347,768</u>	<u>\$3,659</u>	<u>\$15,942</u>	<u>\$ -</u>	<u>(168,054)</u>	<u>-</u>	<u>(160,113)</u>	<u>(328,167)</u>
GENERAL REVENUES:								
Property Taxes					383,009	-	178,622	561,631
Unrestricted Interest Earnings					33,650	-	6,281	39,931
Miscellaneous					<u>300</u>	<u>-</u>	<u>3,012</u>	<u>3,312</u>
Total General Revenues					<u>416,959</u>	<u>-</u>	<u>187,915</u>	<u>604,874</u>
CHANGE IN NET ASSETS					248,905	-	27,802	276,707
NET ASSETS, JULY 1, 2007					<u>1,159,528</u>	<u>-</u>	<u>501,648</u>	<u>1,661,176</u>
NET ASSETS, JUNE 30, 2008					<u>\$1,408,433</u>	<u>\$ -</u>	<u>\$529,450</u>	<u>\$1,937,883</u>

See Notes to Financial Statements.

NOTE A - Summary of Significant Accounting Policies

The City of Utica, Michigan (the City) was organized in 1937 and covers an area of approximately 1.8 square miles. The City operates under an elected council and provides services to its approximately 5,000 residents in many areas, including law enforcement, fire protection, and community enrichment and development services.

The accounting policies of the City of Utica, Michigan conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

1. Reporting Entity

The City is governed by a City Council consisting of a mayor elected for a two-year term and six council members who are elected to overlapping four-year terms.

The accompanying financial statements present the City and its Component Units, entities for which the government is considered to be financially accountable. Although blended Component Units are legal separate entities, in substance, they are part of the City's operations. Discretely presented Component Units are reported in a separate column in the Government-Wide financial statements to emphasize that they are legally separate from the government (see discussion below for description).

The following organizations are included in the City's annual report for the reasons stated. Individual financial statements can be obtained at the City of Utica, Clerk's Office, 7550 Auburn Road, Utica, Michigan 48317.

Blended Component Units

The Municipal Building Authority of Utica, an entity legally separate from the City, is governed by a seven-member board appointed by the City Council. For financial reporting purposes, the Building Authority is reported as if it were part of the City's operations because its purpose is to finance and construct buildings for the City. The operations of the Building Authority are reported as a non-major Capital Projects Fund.

The City of Utica Police and Fire Retirement System is included as a fiduciary fund because, of the five-member governing board, one must be the City Treasurer and two others are appointed by the City. The City is also responsible for funding the Retirement System.

Discretely Presented Component Units

The Component Units columns in the combined financial statements include the financial data of the City's Discretely Presented Component Units.

The Downtown Development Authority (the Authority) is legally separate from the City. The Authority was created to correct and prevent deterioration in the downtown district and promote economic growth within the downtown district. The City appoints the governing board but members can only be removed for cause. The budgets and expenditures of the Downtown Development Authority must be approved by the City Council. The Downtown Development Authority does not issue separate financial statements.

(Continued)

NOTE A - Summary of Significant Accounting Policies (Continued)

1. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

The Brownfield Redevelopment Authority (the Authority) is legally separate from the City. The Authority was created to correct and redevelop property in the City that contains environmental hazards. The City appoints the governing board but members can only be removed for cause. The budgets and expenditures of the Brownfield Redevelopment Authority must be approved by the City Council. The Brownfield Redevelopment Authority does not issue separate financial statements.

The City of Utica Library is established under MCLA 397.201, et seq, as amended. The Mayor, with the consent of City Council, appoints directors to the governing board. Board members serve for staggered five-year terms and can only be removed for cause. The Library does not issue separate financial statements.

2. Government-Wide and Fund Financial Statements

The Government-Wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the Non-Fiduciary Activities of the City (the primary government) and its Component Units. For the most part, the effect of Interfund Activity has been removed from these statements. Governmental Activities, normally supported by taxes and intergovernmental revenues, are reported separately from Business-Type Activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate Component Units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses for a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for Governmental Funds, Proprietary Funds, and Fiduciary Funds, even though the latter are excluded from the Government-Wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the Fund financial statements.

The City reports the following major Governmental Funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Street Fund - The Major Street Fund accounts for maintenance and improvement activities for streets designated as "major" within the City. Funding is provided primarily through State-shared gas and weight taxes.

Local Street Fund - The Local Street Fund accounts for maintenance and improvement activities for streets designated as "local" within the City. Funding is provided primarily through State-shared gas and weight taxes.

NOTE A - Summary of Significant Accounting Policies (Continued)

2. Government-Wide and Fund Financial Statements (Continued)

The Capital Projects - 2001 Local Street Fund - The 2001 Local Street Fund accounts for the bond proceeds issued for the purpose of making local street improvements within the City.

The City reports the following major Enterprise Funds:

Senior Housing Operations Fund - The Senior Housing Operations Fund accounts for the operations of the City's Senior Housing facility. Monthly maintenance fees charged to residents provide funding.

Municipal Building Authority Senior Housing Fund - The Municipal Building Authority Senior Housing Fund owns the City's Senior Housing facility and is responsible for the payment of bonds used to finance it. Monthly rental fees charged to residents provide funding.

Sewer and Water Fund - The Sewer and Water Fund accounts for the activities of the sewage collection system and the water distribution system. Funding is provided primarily through user charges.

Additionally, the City reports the following fund types:

Police and Fire Retirement System Pension Trust Fund - The Police and Fire Retirement System Trust Fund accounts for the activities of the police and fire employees retirement system, which accumulates resources for pension benefit payments to qualified police and fire employees.

Agency Funds - The Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments.

3. Measurement Focus and Basis of Accounting

The Government-Wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund, Fiduciary Fund, and Component Units financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Significant revenues susceptible to accrual include property taxes, most federal intergovernmental revenues (i.e., federal grants), most state intergovernmental revenues (i.e., income taxes, sales taxes, Act 51 funds), special assessments, charges for services and interest. Most licenses and permits, fines and forfeits, and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments are recorded only when payment is due.

(Continued)

NOTE A - Summary of Significant Accounting Policies (Continued)

3. Measurement Focus and Basis of Accounting (Continued)

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the Government-Wide and Proprietary Fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its Business-Type Activities.

As a general rule, the effect of Interfund Activity has been eliminated from the Government-Wide financial statements. Exceptions to this general rule are charges between the City's sewer and water function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary Funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenue of the Proprietary Funds relates to charges to customers for sales and services. Operating expenses for Proprietary Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

4. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

Deposits are carried at cost plus accrued interest and consist of checking accounts, savings deposits, and certificates of deposit. The carrying value of deposits is displayed on the Balance Sheet as "Cash and Cash Equivalents". Excess cash of the individual funds are invested in a JPMorgan Chase, Comerica, MBIA, or Lasalle Municipal Funds Trust Account. Each fund records its own share of pooled funds as cash.

Investments

Investments consist of corporate bonds, common stock, and mutual funds. Investments of the Utica Police and Fire Retirement System Trust Funds are managed by Alethia Research and Management and Munder Capital Management and are stated at market value.

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the Governmental Activities and the Business-Type Activities are reported in the Government-Wide financial statements as "internal balances".

(Continued)

NOTE A - Summary of Significant Accounting Policies (Continued)**4. Assets, Liabilities, and Net Assets or Equity (Continued)****Receivables and Payables (Continued)**

Taxes Receivable at June 30, 2008 represent delinquent personal property taxes for the years 2003 - 2007. These taxes have been turned over to the county for collection. No provision is made for uncollectible accounts. It is felt that any such provision would be immaterial.

No provision is made for uncollectible Accounts Receivable as any such provision would be immaterial.

No provision is made for uncollectible Sewer and Water Bills Receivable because unpaid bills become a lien on the property and are added to the tax bill.

Property Tax Revenue

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on August 31, with the final collection date of February 28 of the following year, before they are added to the county tax rolls. The City bills and collects its own property taxes as well as taxes for the county and several school districts within its jurisdiction. Collections and remittances of the county and school taxes are accounted for in the Current Tax Collection Agency Fund.

The 2007 taxable value of property located in the City totaled \$222,930,804 (a portion of which is captured by the Downtown Development Authority) on which taxes levied consisted of 17.087 mills for general operating purposes, 1.7085 mills for public safety, .8542 mills for the Public Library, and 1.8261 mills for street debt. This resulted in approximately \$3,555,000 for operating, \$355,000 for public safety, \$178,000 for library operations, and \$407,000 for street debt service. These amounts are recognized in the respective General and Component Unit Funds.

The delinquent real property taxes of the City are purchased by the County of Macomb. These taxes have been recorded as revenue for the current year.

Capital Assets

Capital Assets, which include property, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable Governmental or Business-Type Activities column in the Government-Wide financial statements. Capital Assets are defined by the City as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated Capital Assets are recorded at estimated fair market value at the date of donation.

Capital Assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	20-40 years
Sewer and Water Distribution Systems	20-50 years
Buildings and Building Improvements	30-50 years
Machinery and Equipment	5-15 years
Furniture and Fixtures	7-15 years

(Continued)

NOTE A - Summary of Significant Accounting Policies (Continued)

4. Assets, Liabilities, and Net Assets or Equity (Continued)

Deferred Charges

Deferred Charges consist of Bond Discount and Issuance Costs which are being amortized over the term of the bonds and the unbilled portion of signed construction contracts.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability is recorded when incurred in the Government-Wide financial statements and the Proprietary Fund financial statements. A liability for these amounts is reported in Governmental Funds only when they have matured or come due for payment—generally when an individual's employment has terminated as of year-end.

Long-Term Obligations

In the Government-Wide financial statements and the Proprietary Fund financial statements, long-term debt obligations are reported as liabilities in the applicable Governmental Activities, Business-Type Activities, or Proprietary Fund Statement of Net Assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the Fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity

In the Fund financial statements, Governmental Funds report reservations of Fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of Fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

(Continued)

NOTE B - Stewardship, Compliance, and Accountability

Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Department Heads submit to the Mayor and the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures, and the means of financing them, for the General and Special Revenue Funds.

Informational summaries of projected revenues and expenditures are provided for all other City funds, as well as estimated total costs and proposed methods of financing all capital construction projects.

- b. Public hearings are conducted to obtain taxpayer comments.
- c. After modifications are made, the budget is legally enacted on a departmental (activity) basis for all budgetary funds for the ensuing fiscal year, in accordance with Public Act 621 of the State of Michigan.
- d. The City's Mayor, or her designee, is authorized to transfer budgeted amounts within departmental appropriation accounts; however, any revisions that alter the total expenditures of any department must be approved by the City Council.
- e. All budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.
- f. Budget appropriations lapse at year-end.
- g. The original budget was amended during the year in compliance with applicable state laws. A comparison of the budget with Statements of Actual Revenues and Expenditures, including budget variances, for the General Fund and major Special Revenue Funds is presented in the required supplementary information. A comparison of actual results of operations to the non-major Special Revenue Funds budgets, as adopted by the City Council, is available at the City offices for inspection.
- h. Encumbrances are defined as commitments related to unperformed contracts for goods or services. The City does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

Excess of Expenditures Over Appropriations in Budgeted Funds

The City did not have any expenditure budget variances.

Fund Deficit

The City has an accumulated retained earnings deficit in the Senior Housing Operations Fund.

(Continued)

NOTE B - Stewardship, Compliance, and Accountability (Continued)**State Construction Code Act**

The City oversees building construction, in accordance with the State's Construction Code Act, including inspections of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative balance generated since January 1, 2000 is as follows:

Cumulative Balance - July 1, 2007		\$392,122
Building Permit Revenue	\$ 90,842	
Interest Earned On Funds	13,776	
Miscellaneous	100	
Related Expenditures - Direct Costs	(167,295)	
Related Expenditures - Estimated Indirect Costs	(16,729)	
Excess of Revenues Over Expenditures		(79,306)
Cumulative Balance - June 30, 2008		<u>\$312,816</u>

NOTE C - Cash and Cash Equivalents, Restricted Assets, and Investments

The carrying amount of the deposits is separately displayed on the Balance Sheet as "Cash and Cash Equivalents". Deposits are carried at cost.

Michigan Compiled Laws, Section 129.91, authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. Investments can also be made in bonds, securities, and other obligations of the United States, or any agency or instrumentality of the United States, which are guaranteed as to principal and interest by the United States, including securities issued by the Government National Mortgage Association; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase and which involve no more than 50 percent (50%) of any one fund, obligations of the State of Michigan or its political subdivisions, which are rated investment grade, mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan, and investment pools organized under the Surplus Funds Investment Pool Act. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money.

The Police and Fire Retirement System Pension Trust is also authorized by Michigan Public Act 485 of 1996 to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain State and local government obligations, and certain specified investment vehicles. The Utica Police and Fire Retirement System Trusts Board has authorized Alethia Research and Management and Munder Capital Management to manage its funds. All investments are held by the Trust Division using the Federal Reserve Depository Trust Company Book Entry Systems. They are held in a brokerage account at Merrill Lynch, Pierce, Fenner & Smith, Inc. These investments are uninsured and unregistered.

(Continued)

NOTE C - Cash and Cash Equivalents, Restricted Assets, and Investments (Continued)

The City has approved ten banks for the deposit of its funds according to its investment policy. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in accordance with Public Act 20 of 1943, as amended. The City's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The City's investment policy does not directly address a deposit policy for custodial credit risk. At year-end, the City had \$4,276,596 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year-end, none of the City's investments were subject to custodial credit risk due to one of the following:

- Investments were part of an insured pool.
- Investments were book-entry only in the name of the City and were fully insured.
- Investments were part of a mutual fund.
- Investments were held by an agent in the City's name.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with 270-day maturity. At year-end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
City of Utica Police and Fire Retirement System:		
Corporate Bonds	\$1,347,568	16.06 years
U.S. Government or Agency Bond or Note	\$1,324,362	19.63 years

(Continued)

NOTE C - Cash and Cash Equivalents, Restricted Assets, and Investments (Continued)

Credit Risk - In compliance with State law, the City's investment policy limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. As of year-end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Government-Wide - Pooled Funds	\$5,914,042	A1	Moody's
City of Utica Police and Fire System:			
Corporate Bonds	\$998,522	AAA	S&P
Corporate Bonds	\$108,755	AA	S&P
Corporate Bonds	\$182,569	A	S&P
Corporate Bonds	\$57,722	BBB	S&P

Concentration of Credit Risk - Through its investment policy, the City requires investments to be diversified by security and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Foreign Currency Risk - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates. The pension system restricts the amount of investments in foreign currency denominated investments to 10 percent of total pension system investments. As of June 30, 2008, the pension system had no foreign investments.

The pension system includes exposure to the international asset class in order to increase diversification and reduce risk. The investments held by the Pension Fund are protected from foreign currency risk through the use of ADRs (American Depositary Receipts).

(Continued)

CITY OF UTICA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2008

NOTE C - Cash and Cash Equivalents, Restricted Assets, and Investments (Continued)

Restricted cash represents amounts restricted by the Federal or the State law, or the City ordinance to be used for a specific purpose. Restricted amounts are as follows:

General Fund

Police Training and Enforcement	\$ 34,211
Parking District Fees	5,500
Fire and Ambulance Equipment	<u>103,046</u>
Total General Fund	<u>\$142,757</u>

Proprietary Funds

Sewer and Water Fund - Reserve for Bond Debt	\$215,897
Sewer and Water Fund - Improvement and Expansion	270,123
Senior Housing Operations Fund - Security Deposits	23,590
Municipal Building Authority Senior Housing Fund - Reserve for Bond Debt	<u>114,005</u>
Total Proprietary Funds	<u>\$623,615</u>

At year-end, deposits consisted of the following:

	<u>Carrying Amount</u>				
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Trust and Agency Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Petty Cash and Cash-On-Hand	\$ 500	\$ -	\$ -	\$ 500	\$ -
Bank Deposits	-	-	254,483	254,483	16,662
Certificates of Deposit	115,949	-	-	115,949	-
JPMorgan Chase, Comerica, MBIA, and LaSalle Municipal Investment Trust Deposits	<u>2,747,316</u>	<u>1,745,878</u>	<u>21,043</u>	<u>4,514,237</u>	<u>1,058,033</u>
Totals	<u>\$2,863,765</u>	<u>\$1,745,878</u>	<u>\$275,526</u>	<u>\$4,885,169</u>	<u>\$1,074,695</u>

The bank balances of the primary government deposits are \$4,999,602, of which \$800,000 is covered by federal deposit insurance and the remainder was uninsured and uncollateralized. The City's component units had bank balances of \$1,026,378 of which \$100,000 is covered by federal deposit insurance and the remainder was uninsured and uncollateralized.

(Continued)

CITY OF UTICA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2008

NOTE D - Capital Assets

Capital Assets activity of the City's Governmental (and Business-Type) Activities were as follows:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2008</u>
Governmental Activities:				
Capital Assets Not Being Depreciated - Land	\$ 839,900	\$ -	\$ -	\$ 839,900
Capital Assets Being Depreciated:				
Land Improvements	112,449	-	-	112,449
Buildings and Improvements	1,786,386	-	-	1,786,386
Infrastructure (Excludes Water Mains and Sewers)	7,679,001	239,605	-	7,918,606
Furniture and Fixtures	155,232	685	10,781	145,136
Machinery and Equipment	<u>2,912,037</u>	<u>146,003</u>	<u>78,429</u>	<u>2,979,611</u>
Sub-Totals	<u>12,645,105</u>	<u>386,293</u>	<u>89,210</u>	<u>12,942,188</u>
Accumulated Depreciation:				
Land Improvements	84,468	3,561	-	88,029
Buildings and Improvements	823,367	43,470	-	866,837
Infrastructure (Excludes Water Mains and Sewers)	1,718,318	267,658	-	1,985,976
Furniture and Fixtures	128,893	8,816	10,781	126,928
Machinery and Equipment	<u>1,601,690</u>	<u>240,349</u>	<u>74,370</u>	<u>1,767,669</u>
Sub-Totals	<u>4,356,736</u>	<u>563,854</u>	<u>85,151</u>	<u>4,835,439</u>
Net Capital Assets Being Depreciated	<u>8,288,369</u>	(177,561)	<u>4,059</u>	<u>8,106,749</u>
Net Capital Assets	<u>\$ 9,128,269</u>	(<u>\$177,561</u>)	<u>\$ 4,059</u>	<u>\$ 8,946,649</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated - Land	\$ 7,095	\$ -	\$ -	\$ 7,095
Capital Assets Being Depreciated:				
Buildings and Improvements	2,659,074	-	-	2,659,074
Water Mains and Sewers	6,228,343	-	-	6,228,343
Machinery and Equipment	<u>406,133</u>	<u>2,740</u>	<u>-</u>	<u>408,873</u>
Sub-Totals	<u>9,293,550</u>	<u>2,740</u>	<u>-</u>	<u>9,296,290</u>
Accumulated Depreciation:				
Buildings and Improvements	748,810	53,143	-	801,953
Water Mains and Sewers	2,105,380	152,935	-	2,258,315
Machinery and Equipment	<u>307,370</u>	<u>23,416</u>	<u>-</u>	<u>330,786</u>
Sub-Totals	<u>3,161,560</u>	<u>229,494</u>	<u>-</u>	<u>3,391,054</u>
Net Capital Assets Being Depreciated	<u>6,131,990</u>	(226,754)	<u>-</u>	<u>5,905,236</u>
Net Capital Assets	<u>\$6,139,085</u>	(<u>\$226,754</u>)	<u>\$ -</u>	<u>\$5,912,331</u>

(Continued)

CITY OF UTICA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2008

NOTE D - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 24,753
Public Safety	194,627
Health and Welfare - Ambulance	28,251
Public Works	300,579
Recreation and Culture	<u>15,644</u>
Total Governmental Activities	<u>\$563,854</u>
Business-Type Activities:	
Senior Housing Operations	\$ 89
Municipal Building Authority - Senior Housing	57,870
Sewer and Water	<u>171,535</u>
Total Business-Type Activities	<u>\$229,494</u>

NOTE E - Interfund Receivables, Payables, and Transfers

<u>Funds</u>	<u>Interfund Receivables</u>	<u>Funds</u>	<u>Interfund Payables</u>
General Fund	<u>\$18,221</u>	Current Tax Collection Fund	\$ 70
		Municipal Building Authority Fund	323
		Senior Housing Operations Fund	7,328
		Brownfield Redevelopment Fund	<u>10,500</u>
		Total	<u>\$18,221</u>

Interfund Transfers

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
Senior Housing Operations Fund	Municipal Building Authority - Senior Housing	<u>\$186,240</u>

Transfers provided funding for capital projects, capital acquisitions, and debt service.

(Continued)

CITY OF UTICA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2008

NOTE F - Long-Term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Installment and lease purchase agreements are also general obligations of the City. Revenue bonds are payable solely from revenues derived from the activity they were used to finance. Other long-term obligations include compensated absences.

The following is a summary of Long-Term Debt transactions of the City and its Component Units for the year ended June 30, 2008:

	July 1, 2007	Additions	Reductions	June 30, 2008	Due Within One Year
<u>Governmental Activities:</u>					
Bonds, Contracts, and Notes:					
1996 Unlimited Tax General Obligation Bonds	\$1,550,000	\$ -	\$100,000	\$1,450,000	\$150,000
2001 Unlimited Tax General Obligation Bonds	1,375,000	-	50,000	1,325,000	75,000
2002 Unlimited Tax General Obligation Bonds	1,500,000	-	50,000	1,450,000	50,000
Chase Equipment Leasing Installment-Purchase Agreement (Police and Ambulance Equipment)	<u>233,823</u>	<u>-</u>	<u>74,213</u>	<u>159,610</u>	<u>77,946</u>
Total Bonds, Contracts, and Notes	4,658,823	-	274,213	4,384,610	352,946
Other Long-Term Obligations - Compensated Absences	<u>475,816</u>	<u>10,541</u>	<u>-</u>	<u>486,357</u>	<u>-</u>
Total Governmental Activities	<u>5,134,639</u>	<u>10,541</u>	<u>274,213</u>	<u>4,870,967</u>	<u>352,946</u>
<u>Business-Type Activities:</u>					
Water Supply and Sewage Disposal System Revenue Refunding Bonds, Series 2003	470,000	-	80,000	390,000	100,000
Water Supply and Sewage Disposal System Revenue Bonds, Series 2001	215,000	-	20,000	195,000	20,000
Building Authority Refunding Bonds, Series 2003	<u>1,760,000</u>	<u>-</u>	<u>125,000</u>	<u>1,635,000</u>	<u>140,000</u>
Total Business-Type Activities	<u>2,445,000</u>	<u>-</u>	<u>225,000</u>	<u>2,220,000</u>	<u>260,000</u>
Total Primary Government	<u>\$7,579,639</u>	<u>\$10,541</u>	<u>\$499,213</u>	<u>\$7,090,967</u>	<u>\$612,946</u>
<u>Component Units -</u>					
2000 Downtown Development Limited Tax General Obligation	<u>\$665,000</u>	<u>\$ -</u>	<u>\$100,000</u>	<u>\$565,000</u>	<u>\$125,000</u>

(Continued)

CITY OF UTICA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2008

NOTE F - Long-Term Debt (Continued)

Annual debt service requirements to maturity for the above obligations (excluding compensated absences) are as follows:

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 352,946	\$ 204,451	\$ 557,397	\$ 260,000	\$ 68,495	\$ 328,495
2010	356,664	188,183	544,847	255,000	60,883	315,883
2011	275,000	171,513	446,513	275,000	52,691	327,691
2012	300,000	157,969	457,969	275,000	43,815	318,815
2013	350,000	142,601	492,601	180,000	36,421	216,421
2014 - 2018	1,725,000	451,633	2,176,633	975,000	83,246	1,058,246
2019 - 2022	<u>1,025,000</u>	<u>100,563</u>	<u>1,125,563</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$4,384,610</u>	<u>\$1,416,913</u>	<u>\$5,801,523</u>	<u>\$2,220,000</u>	<u>\$345,551</u>	<u>\$2,565,551</u>

	<u>Component Units</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$125,000	\$25,836	\$150,836
2010	125,000	19,493	144,493
2011	150,000	12,443	162,443
2012	<u>165,000</u>	<u>4,290</u>	<u>169,290</u>
	<u>\$565,000</u>	<u>\$62,062</u>	<u>\$627,062</u>

SIGNIFICANT DETAILS ON LONG-TERM DEBT:

Governmental Activities

1996 General Obligation Bonds -

The City issued \$2,200,000 of General Obligation Unlimited Tax Bonds dated February 1, 1996 for the purpose of paying part of the cost of various road improvements within the City. Interest is payable semi-annually on April 1 and October 1 commencing October 1, 1996. Principal payments are due annually October 1 commencing October 1, 1996. Interest rates vary from 4.6% to 5.0% depending on the maturity date.

2001 General Obligation Bonds -

The City issued \$1,600,000 of General Obligation Unlimited Tax Bonds dated February 1, 2001 for the purpose of paying part of the cost of various road improvements within the City. Interest is payable semi-annually on April 1 and October 1 commencing October 1, 2001. Principal payments are due annually October 1 commencing October 1, 2001. Interest rates vary from 4.25% to 5.00% depending on the maturity date.

(Continued)

NOTE F - Long-Term Debt (Continued)

SIGNIFICANT DETAILS ON LONG-TERM DEBT: (Continued)

Governmental Activities (Continued)

2002 General Obligation Bonds -

The City issued \$1,600,000 of General Obligation Unlimited Tax Bonds dated February 1, 2002 for the purpose of paying part of the cost of various road improvements within the City. Interest is payable semi-annually on April 1 and October 1 commencing October 1, 2002. Principal payments are due annually October 1 commencing October 1, 2004. Interest rates vary from 3.5% to 5.0% depending on the maturity date.

Installment-Purchase Agreement, Chase Equipment Leasing, Inc. -

Requires three consecutive annual payments of \$85,559 including interest at 4.77% beginning July 31, 2007 for police and ambulance vehicles and equipment.

Business-Type Activities

Water Supply and Sewage Disposal System Revenue Refunding Bonds, Series 2003 -

The City issued \$730,000 of revenue refunding bonds dated August 1, 2003 pursuant to the provisions of Act 94, Public Acts of Michigan, 1933, as amended for the purpose of refunding previous bonds issued for constructing additions, extensions, and improvements to its water supply and sewage disposal system.

The bonds are payable solely from the net revenues of the system and a statutory first lien on said revenues has been established. Interest is payable semi-annually at 3.25% on April 1 and October 1 commencing on October 1, 2003. Principal payments are due annually on October 1 commencing on October 1, 2003.

(Continued)

NOTE F - Long-Term Debt (Continued)

SIGNIFICANT DETAILS ON LONG-TERM DEBT: (Continued)

Business-Type Activities (Continued)

Water Supply and Sewage Disposal System Revenue Bonds, Series 2001 -

The City issued \$305,000 of bonds dated February 1, 2001 pursuant to the provisions of Act 94, Public Acts of Michigan, 1933, as amended for the purpose of constructing additions, extensions, and improvements to its water supply and sewage disposal system.

The bonds are payable solely from the net revenues of the system and a statutory first lien on said revenues has been established. Interest is payable semi-annually on April 1 and October 1 commencing on October 1, 2001. Principal payments are due annually on October 1 commencing on October 1, 2001. Interest rates vary from 4.3% to 5.1% depending on the maturity date.

Building Authority Refunding Bonds, Series 2003 -

The City issued \$2,145,000 of refunding bonds dated July 1, 2003 pursuant to the provisions of Act 94, Public Acts of Michigan, 1933, as amended with interest rates ranging from 2.0% to 3.5%. The proceeds of these bonds were used to refund outstanding bonds with interest rates ranging from 4.3% to 5.0% depending on the maturity date.

The bonds are payable from rental payments to be made by the City to the Building Authority pursuant to a refunding contract dated May 13, 2003. The City is required to provide sufficient monies in its annual budget to pay the debt service requirements on the bonds and, if necessary, levy taxes for payment. Any such levies must be subject to applicable charter, statutory and constitutional tax limitations. It is the City's intention to pay the rentals from monies derived from operation of the Senior Citizen Housing Facilities.

Interest is payable semi-annually on May 1 and November 1 commencing on November 1, 2003. Principal is payable annually on November 1 commencing on November 1, 2004.

Component Units

2000 Downtown Development Bonds -

The City issued \$995,000 of bonds dated August 1, 2000 to finance the cost of improvements within the Downtown Development Area. The bonds are issued in anticipation of the collection of certain tax increment revenue payments from the City of Utica Downtown Development Authority. The bonds are secured pursuant to a limited tax full faith and credit general obligation pledge by the City. Interest is payable semi-annually on April 1 and October 1. Principal payments are due annually October 1 commencing October 1, 2002. The bonds are not subject to redemption prior to maturity. Interest rates vary from 4.875% to 5.200% depending on the maturity date.

(Continued)

NOTE G - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains property and liability insurance coverage with the Michigan Municipal Liability and Property Pool and workers' compensation insurance through the Michigan Municipal League Workers' Compensation Fund. These programs were developed to administer a group program of liability and property self-insurance for Michigan municipalities. Member contributions are combined to provide each member with coverage for claims. Any funds not needed to pay claims and maintain prudent reserves are available for distribution to members, to increase liability limits, or to offer additional services to members as the Pool Board of Directors decide. The pools enter into reinsurance agreements to reduce exposure to large losses on all types of insured events.

The City carries commercial insurance for employee health and accident coverage.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

NOTE H - Post Employment Benefits Other Than Pensions

Union and other contracts require the City to pay:

1. One hundred percent (100%) of medical insurance premiums for Department of Public Works (DPW) retirees and their dependents until age 65. The City may provide "GAP" coverage when the retiree is eligible for Medicare.
2. One hundred percent (100%) of medical insurance premiums for Police Department retirees and their spouses, until eligible for Medicare.
3. A City Council Resolution grants single medical insurance coverage for a retired Deputy Clerk, Treasurer, and DPW Superintendent.
4. An employment contract grants single medical insurance coverage for a retired Fire Chief and Assistant Fire Chief. The City may provide "GAP" coverage when the retiree is eligible for Medicare.

At June 30, 2008, eleven retirees were eligible and receiving benefits. Expenditures for those benefits, for the fiscal year ended June 30, 2008, amounted to \$173,926. The City funds these expenditures as they are incurred and charges current operations in the respective departments.

Upcoming Reporting Change - The Governmental Accounting Standards Board (GASB) has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the Government-Wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009. During the fiscal year ended June 30, 2006, the City contributed \$100,000 to a retiree healthcare trust fund managed by the Municipal Employee Retirement System of Michigan (MERS). This contribution will be applied to the Other Postemployment Benefits (OPEB) obligation that will be determined by an actuarial valuation when the City implements GASB Statement Number 45.

(Continued)

NOTE I - Pension Plans

The City makes contributions to two pension plans that cover substantially all full-time employees.

1. City of Utica Police and Fire Retirement System:

A. Plan Description

The Plan is a single employer public employee defined benefit pension plan that covers police officers and fire chiefs and is established under Public Act 345 of the State of Michigan. Effective July 1, 2008 the Plan was closed to new hires.

Plan members are required to contribute 5% of compensation. The City is the only non-employee contributor to the Plan and is required to contribute the remaining amounts necessary to fund the Plan using actuarial computations.

As of June 30, 2007, the date of the most recent actuarial valuation, the Plan had 18 current active employee members, and 6 retired members receiving benefits.

The Plan provides for vesting of benefits after 10 years. Eligibility for service retirement requires 25 years of service regardless of age or age 60 regardless of service. The Plan provides a straight-life pension equal to 2.5% (2.25% for post-7/1/97 hires) of 3-year average final compensation (AFC) times the first 25 years of service, plus 1% of AFC times years of service in excess of 25.

The Plan also provides for a deferred retirement after 10 years of service, which begins at the date retirement would have occurred had the member remained in employment and is computed as service retirement but based upon service AFC and benefit multiplier in effect at termination.

The Plan also provides benefits for surviving spouses upon death after retirement, Duty, and Non-Duty death in service and disability.

The Plan does not issue a separate financial report.

B. Contributions Required and Contributions Made

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using an entry age actuarial funding method.

During the year ended June 30, 2008, contributions to the system totaled \$338,090 (\$273,997 employer and \$64,093 employee) which were in accordance with the contribution requirements determined by the actuarial valuation of the Plan as of June 30, 2007, using the entry age actuarial funding method. Significant actuarial assumptions used include: (a) a 7.5% investment rate of return; (b) projected salary increases of 4.2% - 8.0% per year; and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 4%. The actual value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll, open basis, over a 25-year period. The remaining amortization period is 25 years.

(Continued)

NOTE I - Pension Plans (Continued)

1. City of Utica Police and Fire Retirement System: (Continued)

B. Contributions Required and Contributions Made (Continued)

Three-year trend information is as follows:

	June 30, 2007	June 30, 2006	June 30, 2005
Annual Pension Cost	\$254,378	\$260,643	\$208,766
Percentage of Annual Pension Cost Contributed	118.1%	101.0%	114.1%
Net Pension Obligation	-	-	-
Actuarial Value of Assets	\$5,685,077	\$5,128,547	\$4,674,338
Actuarial Accrued Liability	\$6,629,295	\$6,090,708	\$5,625,864
Unfunded Actuarial Accrued Liability	\$944,218	\$962,161	\$951,526
Funded Ratio	85.8%	84.2%	83.1%
Covered Payroll	\$1,256,038	\$1,182,641	\$1,042,233
Unfunded Actuarial Accrued Liability as a Percentage of Payroll	75.2%	81.4%	91.3%

2. City of Utica Pension Plan

A. Plan Description

All full-time employees other than the Police Officers and the Fire Chiefs are covered by the Municipal Employees Retirement System of Michigan (MERS) Plan which provides retirement and disability benefits and death benefits to Plan members and beneficiaries. The City participates in the MERS, an agent multiple-employer defined benefit plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The MERS issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

B. Contributions Required and Contributions Made

The City is required to contribute at actuarially determined rates; for the year ended June 30, 2008, the rate was 4.55% for Police Dispatchers, 12.41% for AFSCME members, and 9.12% of annual covered payroll for all other covered City employees. Employees are required to contribute to the Plan at the rate of 5% of covered payroll. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of Plan members, if any, are established and amended by the City, depending on the MERS contribution program adopted by the City and negotiations with the City's competitive bargaining units.

(Continued)

NOTE I - Pension Plans (Continued)

2. City of Utica Pension Plan (Continued)

B. Contributions Required and Contributions Made (Continued)

For the year ended June 30, 2008, the City's annual pension cost of \$98,236 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2006 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8% and (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect market value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2007, the date of the latest actuarial valuation, was 28 years.

Three-year trend information is as follows:

	December 31, 2007	December 31, 2006	December 31, 2005
Annual Pension Cost	\$99,482	\$97,969	\$84,818
Percentage of Annual Pension Cost Contributed	100.0%	100.0%	100.0%
Net Pension Obligation	-	-	-
Actuarial Value of Assets	\$2,445,375	\$2,248,016	\$2,041,998
Actuarial Accrued Liability	\$3,445,785	\$3,168,162	\$2,932,497
Unfunded Actuarial Accrued Liability	\$1,000,410	\$920,146	\$890,499
Funded Ratio	71.0%	71.0%	69.6%
Covered Payroll	\$1,047,872	\$1,050,708	\$1,119,427
Unfunded Actuarial Accrued Liability as a Percentage of Payroll	95.5%	87.6%	79.5%

NOTE J - ContingenciesFederal and State Grants:

Under the terms of certain federal and state grants, periodic audits are required and certain costs may be questioned as not representing appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The City management believes disallowances, if any, would be minimal.

(Continued)

NOTE K - Act 425 Agreement

On June 26, 1996, the City of Utica, Michigan (Utica) entered into a contract for conditional transfer of property pursuant to Public Act 425 of 1984, with the Charter Township of Shelby Township, Michigan (Shelby Township). The term of the contract is from the date of execution through September 30, 2026.

Pursuant to this contract, a parcel of land of approximately 305 acres was transferred from Utica to Shelby Township for the purpose of an economic development project.

Under the terms of the contract, Shelby Township shall have jurisdiction and be solely responsible for providing water and sewer and cable television services to the east half of the property. All other services, including taxation, shall remain the jurisdiction of Utica.

Commencing September 30, 1997, and annually thereafter during the first fifteen years of the contract, Utica shall pay to Shelby Township a sum equal to three mills levied on the taxable value of the real and personal property located in the development area, less any tax adjustments. During the final fifteen years of the contract, Utica shall pay Shelby Township the sum of \$100 annually. The payment for the fiscal year ended June 30, 2008 was \$306,540.

Commencing on September 30, 1997, and annually thereafter up to and including the year 2011, Shelby Township shall pay Utica a sum equal to \$26,103 per year up to a total of \$391,546.

NOTE L - Municipal Building Authority

The Municipal Building Authority of Utica, Michigan, a public corporation, is organized and existing under the Authority of Act 31, Public Acts of Michigan, 1948, as amended, and Ordinance Number 3, of the City of Utica, Michigan.

The Municipal Building Authority has two funds.

The first fund is the Municipal Building Authority Capital Projects Fund. This Fund receives rent payments from the City for leasing of land and buildings. It is the City's intention to continue to use the Building Authority for capital improvements and future expansion. This Fund will be used to pay for these expenditures. Capital improvements paid by this Fund are included in the General Fixed Asset Account Group.

The second fund is the Municipal Building Authority Senior Citizen Housing Fund. This Fund has been set up under Ordinance Number 130 of the City of Utica, Michigan to provide for the acquisition and construction of a housing facility for senior citizens. Under the terms of the Ordinance, the Municipal Building Authority issued Building Authority Revenue Bonds, Series 1992. This Fund receives rent payments under a Revenue Lease Contract with the City in amounts sufficient to satisfy the Authority's debt service requirements.

(Continued)

NOTE M - Component Units

The Component Units columns in the combined financial statements include the financial data of the City's other component units. The City's other component units are the Downtown Development Authority of Utica, Michigan, the Brownfield Redevelopment Authority of Utica, Michigan, and the Utica Public Library. They are reported in a separate column to emphasize that it is legally separated from the City. The governing boards are appointed by the Mayor and the City Council, but once appointed members can only be removed for cause until their terms expire.

Downtown Development Authority

The Downtown Development Authority of Utica, Michigan, a public corporation, was established August 21, 1989 pursuant to the Act 197, Public Acts of Michigan, 1975, and Ordinance Number 24 of the City of Utica, Michigan.

The Downtown Development Authority was established to halt property value deterioration and increase property tax valuation where possible in the business district of the City, to eliminate the cause of that deterioration, and to promote economic growth. These activities are financed from proceeds of a Tax Increment Financing Plan. Pursuant to this Plan, the Downtown Development Authority receives that portion of the tax levy of all taxing bodies paid each year on real and personal property in the project area on the captured assessed value as defined by Act 197. The Downtown Development Authority is required to expend the tax increments received for the development program only pursuant to the Tax Increment Financing Plan. Upon abolishment of the Downtown Development Authority, surplus funds shall revert proportionately to the respective taxing bodies.

Brownfield Redevelopment Authority

The Brownfield Redevelopment Authority of Utica, Michigan, a public corporation, was established by resolution of the City Council on May 1, 2001, pursuant to the Act 381, Public Acts of Michigan, 1996.

The Brownfield Redevelopment Authority was established to facilitate the implementation of Brownfield plans relating to the designation and treatment of Brownfield Redevelopment zones and to promote the revitalization of environmentally distressed areas. These activities are financed from proceeds of Tax Increment Financing Plans. Pursuant to these Plans, the Brownfield Redevelopment Authority receives that portion of the tax levy of all taxing bodies paid each year on real and personal property in the project area on the captured assessed value as defined by Act 381. The Brownfield Redevelopment Authority is required to expend the tax increments received for the development program only pursuant to the Tax Increment Financing Plans. Upon abolishment of the Brownfield Redevelopment Authority, surplus funds shall revert proportionately to the respective taxing bodies.

Utica Public Library

The City of Utica Public Library is established under MCLA 397.201, et seq, as amended. The Mayor, with the consent of the City Council, appoints directors to the governing board. Board members serve for staggered five-year terms and can only be removed for cause.

Library operations are funded primarily by a one mil tax levy.

(Continued)

CITY OF UTICA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2008

NOTE M - Component Units (Continued)

Capital Asset activity of the City's component units was as follows:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2008</u>
Downtown Development Authority:				
Capital Assets Being Depreciated:				
Land Improvements	\$ 57,133	\$ -	\$ -	\$ 57,133
Equipment	11,673	-	-	11,673
Infrastructure	<u>1,243,881</u>	<u>-</u>	<u>-</u>	<u>1,243,881</u>
Sub-Totals	<u>1,312,687</u>	<u>-</u>	<u>-</u>	<u>1,312,687</u>
Accumulated Depreciation:				
Land Improvements	3,858	3,908	-	7,766
Equipment	97	1,168	-	1,265
Infrastructure	<u>225,648</u>	<u>45,894</u>	<u>-</u>	<u>271,542</u>
Sub-Totals	<u>229,603</u>	<u>50,970</u>	<u>-</u>	<u>280,573</u>
Net Capital Assets Being Depreciated	<u>\$1,083,084</u>	<u>(\$50,970)</u>	<u>\$ -</u>	<u>\$1,032,114</u>
	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2008</u>
Library:				
Capital Assets Not Being Depreciated - Books	<u>\$392,423</u>	<u>\$9,798</u>	<u>\$ -</u>	<u>\$402,221</u>
Capital Assets Being Depreciated - Furniture and Equipment	70,635	1,574	8,080	64,129
Accumulated Depreciation - Furniture and Equipment	<u>58,921</u>	<u>4,417</u>	<u>8,080</u>	<u>55,258</u>
Net Capital Assets Being Depreciated	<u>11,714</u>	<u>(2,843)</u>	<u>-</u>	<u>8,871</u>
Net Capital Assets	<u>\$404,137</u>	<u>\$6,955</u>	<u>\$ -</u>	<u>\$411,092</u>

(Continued)

CITY OF UTICA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2008

NOTE N - Segment Information for Enterprise Funds

The City maintains three Enterprise Funds, which provide senior housing and sewer and water services. Segment information for the year ended June 30, 2008 was as follows:

	Senior Housing Operations	Municipal Building Authority Senior Housing	Sewer and Water	Total Enterprise Funds
Operating Revenues	\$308,691	\$ -	\$1,575,449	\$1,884,140
Depreciation Expense	89	57,870	171,535	229,494
Operating Income (Loss)	152,711	(57,870)	(174,039)	(79,198)
Non-Operating Revenues (Expenses):				
Interest Income	1,957	2,991	60,023	64,971
Interest Expense	-	(62,570)	(28,401)	(90,971)
Operating Transfers:				
In	-	186,240	-	186,240
Out	(186,240)	-	-	(186,240)
Net Income (Loss)	(31,572)	68,791	(104,161)	(66,942)
Current Capital Contributions - Tap Fees	-	-	38,256	38,256
Fixed Assets:				
Additions	-	-	2,742	2,742
Deletions	-	-	-	-
Net Working Capital	(9,156)	(148,368)	1,194,423	1,036,899
Total Assets	25,682	2,075,206	6,019,084	8,119,972
Bonds and Other Long-Term Liabilities:				
Payable from Operating Revenues and Transfers	-	1,520,995	369,103	1,890,098
Payable from Restricted Assets	23,590	114,005	215,897	353,492
Net Assets (Deficit)	(9,059)	431,838	5,287,457	5,710,236

The Municipal Building Authority Senior Housing Fund accounts for an apartment building constructed with Revenue Bonds. The Revenue Bonds were refunded by issuing General Obligation Limited Tax Bonds. The refunding bonds are payable from rental payments to be made to the Municipal Building Authority by the City pursuant to a refunding contract. The City of Utica, Michigan, through its Senior Housing Operations Fund, operates and maintains the building. All rents are collected by the Senior Housing Operations Fund along with a maintenance fee. Rents are then transferred to cover Debt Service and Reserve requirements.

(Concluded)

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF UTICA, MICHIGAN

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With Amended Budget Over (Under)</u>
	<u>Original</u>	<u>Amended</u>		
REVENUES:				
Taxes and Penalties	\$4,341,270	\$4,341,270	\$4,330,713	(\$ 10,557)
Property Tax Administration Fee	115,470	115,470	114,977	(493)
Licenses and Permits	12,000	12,000	13,531	1,531
Intergovernmental Revenue:				
Federal	36,710	58,095	71,521	13,426
State	452,380	452,380	451,770	(610)
County	1,000	1,000	-	(1,000)
Fines and Costs	282,600	282,600	261,416	(21,184)
Charges for Services	451,600	451,600	518,528	66,928
Rental Income	19,300	19,300	21,250	1,950
Cable Royalties	61,260	61,260	70,847	9,587
Interest on Investments	73,350	73,350	93,123	19,773
Other	<u>182,360</u>	<u>185,146</u>	<u>283,785</u>	<u>98,639</u>
Total Revenues	<u>6,029,300</u>	<u>6,053,471</u>	<u>6,231,461</u>	<u>177,990</u>
EXPENDITURES:				
General Government:				
Legislative and Executive	45,420	45,420	39,983	(5,437)
Elections	13,300	13,300	12,015	(1,285)
Assessor's Department	29,464	30,164	29,115	(1,049)
Legal Department	90,590	93,090	91,907	(1,183)
Clerk's Department	219,601	221,401	196,859	(24,542)
Treasurer's Department	222,187	230,387	198,003	(32,384)
Building Improvement and Maintenance	40,620	41,340	38,704	(2,636)
Rubbish Disposal	177,540	177,540	169,451	(8,089)
425 Agreement	307,320	307,320	306,540	(780)
Other	<u>232,990</u>	<u>271,690</u>	<u>181,531</u>	<u>(90,159)</u>
Total General Government	1,379,032	1,431,652	1,264,108	(167,544)
Public Safety:				
Police Department	2,470,375	2,563,473	2,507,501	(55,972)
Fire Department	419,216	517,215	506,190	(11,025)
Health and Welfare - Ambulance	186,898	230,909	228,370	(2,539)
Public Works	581,304	581,304	521,260	(60,044)
Recreation and Cultural	211,984	227,676	200,147	(27,529)
Capital Outlay	28,932	138,432	138,432	-
Debt Service:				
Principal Retirement	279,480	275,707	274,213	(1,494)
Interest and Debt Service Fees	<u>220,330</u>	<u>220,330</u>	<u>219,721</u>	<u>(609)</u>
Total Expenditures	<u>5,777,551</u>	<u>6,186,698</u>	<u>5,859,942</u>	<u>(326,756)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES -				
Net Change In Fund Balances	251,749	(133,227)	371,519	504,746
FUND BALANCE, JULY 1, 2007	<u>1,412,586</u>	<u>1,412,586</u>	<u>1,412,586</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2008	<u>\$1,666,335</u>	<u>\$1,279,359</u>	<u>\$1,784,105</u>	<u>\$504,746</u>

See Independent Auditor's Report.

CITY OF UTICA, MICHIGAN

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Major Street Fund				Local Street Fund			
	Budget Amounts		Actual	Variance With Amended Budget Over (Under)	Budget Amounts		Actual	Variance With Amended Budget Over (Under)
	Original	Amended			Original	Amended		
REVENUES:								
Intergovernmental Revenue:								
Federal	\$ 660,000	\$ 660,000	\$ -	(\$660,000)	\$ -	\$ -	\$ -	\$ -
State	174,720	174,720	173,578	(1,142)	74,500	74,500	73,344	(1,156)
Interest on Investments	<u>35,000</u>	<u>35,000</u>	<u>35,028</u>	<u>28</u>	<u>9,500</u>	<u>9,500</u>	<u>12,722</u>	<u>3,222</u>
Total Revenues	<u>869,720</u>	<u>869,720</u>	<u>208,606</u>	<u>(661,114)</u>	<u>84,000</u>	<u>84,000</u>	<u>86,066</u>	<u>2,066</u>
EXPENDITURES:								
Public Works	356,300	356,300	167,599	(188,701)	97,775	97,775	75,098	(22,677)
Capital Outlay	<u>900,000</u>	<u>900,000</u>	<u>239,605</u>	<u>(660,395)</u>	<u>95,100</u>	<u>95,100</u>	<u>-</u>	<u>(95,100)</u>
Total Expenditures	<u>1,256,300</u>	<u>1,256,300</u>	<u>407,204</u>	<u>(849,096)</u>	<u>192,875</u>	<u>192,875</u>	<u>75,098</u>	<u>(117,777)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES -								
Net Change In Fund Balances	(386,580)	(386,580)	(198,598)	187,982	(108,875)	(108,875)	10,968	119,843
FUND BALANCE, JULY 1, 2007	<u>1,009,127</u>	<u>1,009,127</u>	<u>1,009,127</u>	<u>-</u>	<u>326,734</u>	<u>326,734</u>	<u>326,734</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2008	<u>\$ 622,547</u>	<u>\$ 622,547</u>	<u>\$ 810,529</u>	<u>\$187,982</u>	<u>\$217,859</u>	<u>\$217,859</u>	<u>\$337,702</u>	<u>\$119,843</u>

See Independent Auditor's Report.

CITY OF UTICA, MICHIGAN

REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF FUNDING PROGRESS - POLICE AND FIRE RETIREMENT SYSTEM
JUNE 30, 2008

The Schedule of Funding Progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/2001**	4,279,196	3,857,044	(422,152)	110.9%	967,153	(43.6%)
6/30/2002***	3,964,108	4,271,356	307,248	92.8%	952,915	32.2%
6/30/2003	3,733,458	4,548,419	814,961	82.1%	1,035,889	78.7%
6/30/2004	4,171,778	5,525,478	1,353,700	75.5%	1,134,532	119.3%
6/30/2005	4,674,338	5,625,864	951,526	83.1%	1,042,233	91.3%
6/30/2006	5,128,547	6,090,708	962,161	84.2%	1,182,641	81.4%
6/30/2007	5,685,077	6,629,295	944,218	85.8%	1,256,038	75.2%

** Based on Actual Salary and Revised Projections of Average Final Compensation

*** Revised Actuarial Assumptions

The Schedule of Employer Contributions is as follows:

Fiscal Year Ended	Annual Required Contribution*	Percentage Contributed
6/30/2002	9,565	157.0%
6/30/2003	147,866	107.1%
6/30/2004	155,493	125.5%
6/30/2005	208,766	114.1%
6/30/2006	260,643	101.0%
6/30/2007	254,378	118.1%

* The Required Contribution is expressed to the City as a Percentage of Payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2007, the latest actuarial valuation, follows:

Valuation Date	June 30, 2007
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Percent of Payroll, Closed
Remaining Amortization Period	24 Years
Asset Valuation Method	4-Year Smoothed Market Value
Actuarial Assumptions:	
Investment Rate of Return	7.5%
Projected Salary Increases*	4.2% - 8.0%
*Includes Inflation at	4.0%
Cost of Living Adjustments	None

See Independent Auditor's Report.

CITY OF UTICA, MICHIGAN

REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF FUNDING PROGRESS - CITY OF UTICA PENSION PLAN
JUNE 30, 2008

The Schedule of Funding Progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/2001	1,080,070	1,570,386	490,316	68.8%	881,263	55.6%
12/31/2002	1,288,995	1,773,407	484,412	72.7%	914,423	53.0%
12/31/2003**	1,505,886	2,141,094	635,208	70.3%	1,083,763	58.6%
12/31/2004	1,871,656	2,597,655	725,999	72.1%	1,050,069	69.1%
12/31/2005	2,041,998	2,932,497	890,499	69.6%	1,119,427	79.5%
12/31/2006	2,248,016	3,168,162	920,146	71.0%	1,050,708	87.6%
12/31/2007	2,445,375	3,445,785	1,000,410	71.0%	1,047,872	95.5%

** One-Time Adjustment Made to Method of Calculating Actuarial Value of Assets

The Schedule of Employer Contributions is as follows:

Fiscal Year Ended	Annual Required Contribution*	Percentage Contributed
12/31/2001	25,033	100.0%
12/31/2002	91,869	100.0%
12/31/2003	70,750	100.0%
12/31/2004	77,536	100.0%
12/31/2005	84,818	100.0%
12/31/2006	97,969	100.0%
12/31/2007	99,482	100.0%

* The Required Contribution is expressed to the City as a Percentage of Payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2007, the latest actuarial valuation, follows:

Valuation Date	December 31, 2007
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll, Closed
Remaining Amortization Period	28 Years
Asset Valuation Method	5-Year Smoothed Market Value
Actuarial Assumptions:	
Investment Rate of Return	8.0%
Projected Salary Increases*	4.50% - 8.66%
*Includes Inflation at	4.5%
Cost of Living Adjustments	None

See Independent Auditor's Report.

OTHER SUPPLEMENTAL INFORMATION

CITY OF UTICA, MICHIGAN

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008

	<u>Special Revenues Funds</u>			<u>Capital Projects Funds</u>		Total Non-Major Governmental Funds
	<u>Liquor Law Enforcement</u>	<u>Building Code Enforcement</u>	<u>Drug Law Enforcement</u>	<u>Municipal Building Authority</u>	<u>2001 Street</u>	
ASSETS:						
Cash	\$28,737	\$309,820	\$20,239	\$54,536	\$123,574	\$536,906
Receivables - Accounts	<u>-</u>	<u>4,158</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,158</u>
Total Assets	<u>\$28,737</u>	<u>\$313,978</u>	<u>\$20,239</u>	<u>\$54,536</u>	<u>\$123,574</u>	<u>\$541,064</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts Payable	\$ 6,600	\$ 1,162	\$ 1,000	\$ -	\$ -	\$ 8,762
Due to Other Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>323</u>	<u>-</u>	<u>323</u>
Total Liabilities	6,600	1,162	1,000	323	-	9,085
Fund Balances - Unreserved	<u>22,137</u>	<u>312,816</u>	<u>19,239</u>	<u>54,213</u>	<u>123,574</u>	<u>531,979</u>
Total Liabilities and Fund Balances	<u>\$28,737</u>	<u>\$313,978</u>	<u>\$20,239</u>	<u>\$54,536</u>	<u>\$123,574</u>	<u>\$541,064</u>

See Independent Auditor's Report.

CITY OF UTICA, MICHIGAN

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Special Revenues Funds</u>			<u>Capital Projects Funds</u>		Total Non-Major Governmental Funds
	<u>Liquor Law Enforcement</u>	<u>Building Code Enforcement</u>	<u>Drug Law Enforcement</u>	<u>Municipal Building Authority</u>	<u>2001 Street</u>	
REVENUES:						
Licenses and Permits	\$ 8,637	\$ 90,842	\$ -	\$ -	\$ -	\$ 99,479
Drug Forfeitures	-	-	9,411	-	-	9,411
Fines and Costs	-	100	-	-	-	100
Rental Income	-	-	-	27,695	-	27,695
Interest on Investments	1,039	13,776	629	1,431	4,637	21,512
Other	-	-	150	-	-	150
Total Revenues	<u>9,676</u>	<u>104,718</u>	<u>10,190</u>	<u>29,126</u>	<u>4,637</u>	<u>158,347</u>
EXPENDITURES:						
Current:						
Liquor Law Enforcement	1,725	-	-	-	-	1,725
Building Code Enforcement	-	184,024	-	-	-	184,024
Drug Law Enforcement	-	-	5,704	-	-	5,704
Building Repairs and Maintenance	-	-	-	20,343	-	20,343
Capital Outlay	<u>7,256</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>8,256</u>
Total Expenditures	<u>8,981</u>	<u>184,024</u>	<u>6,704</u>	<u>20,343</u>	<u>-</u>	<u>220,052</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES -						
Net Change In Fund Balances	695	(79,306)	3,486	8,783	4,637	(61,705)
FUND BALANCES, JULY 1, 2007	<u>21,442</u>	<u>392,122</u>	<u>15,753</u>	<u>45,430</u>	<u>118,937</u>	<u>593,684</u>
FUND BALANCES, JUNE 30, 2008	<u>\$22,137</u>	<u>\$312,816</u>	<u>\$19,239</u>	<u>\$ 54,213</u>	<u>\$123,574</u>	<u>\$531,979</u>

See Independent Auditor's Report.

CITY OF UTICA, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2008

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>Annual Interest Payable</u>
1996 GENERAL OBLIGATION UNLIMITED					
TAX BONDS, DATED 2/1/1996, TOTAL					
ISSUED - \$2,200,000	4.70%	10/01/2008	\$ 150,000	\$ -	\$ 68,075
	4.80%	10/01/2009	150,000	150,000	60,950
	4.90%	10/01/2010	150,000	150,000	53,675
	5.00%	10/01/2011	175,000	175,000	45,625
	5.00%	10/01/2012	175,000	175,000	36,875
	5.00%	10/01/2013	200,000	200,000	27,500
	5.00%	10/01/2014	-	-	22,500
	5.00%	10/01/2015	<u>450,000</u>	<u>450,000</u>	<u>11,250</u>
Total 1996 General Obligation Unlimited Tax Bonds Payable			<u>1,450,000</u>	<u>1,300,000</u>	<u>326,450</u>
2001 GENERAL OBLIGATION UNLIMITED					
TAX BONDS, DATED 2/1/2001, TOTAL					
ISSUED - \$1,600,000	4.50%	10/01/2008	75,000	-	60,688
	4.50%	10/01/2009	75,000	75,000	57,312
	4.50%	10/01/2010	75,000	75,000	53,938
	4.35%	10/01/2011	75,000	75,000	50,619
	4.40%	10/01/2012	100,000	100,000	46,788
	4.50%	10/01/2013	100,000	100,000	42,337
	4.65%	10/01/2014	100,000	100,000	37,763
	4.75%	10/01/2015	100,000	100,000	33,062
	4.80%	10/01/2016	125,000	125,000	27,687
	4.85%	10/01/2017	125,000	125,000	21,656
	4.90%	10/01/2018	125,000	125,000	15,562
	5.00%	10/01/2019	125,000	125,000	9,375
	5.00%	10/01/2020	<u>125,000</u>	<u>125,000</u>	<u>3,125</u>
Total 2001 General Obligation Unlimited Tax Bonds Payable			<u>1,325,000</u>	<u>1,250,000</u>	<u>459,912</u>

CITY OF UTICA, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2008

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>Annual Interest Payable</u>
2002 GENERAL OBLIGATION UNLIMITED					
TAX BONDS, DATED 2/1/2002, TOTAL					
ISSUED - \$1,600,000					
	4.00%	10/01/2008	50,000	-	68,075
	4.20%	10/01/2009	50,000	50,000	66,025
	4.30%	10/01/2010	50,000	50,000	63,900
	4.40%	10/01/2011	50,000	50,000	61,725
	4.50%	10/01/2012	75,000	75,000	58,937
	4.55%	10/01/2013	100,000	100,000	54,975
	4.60%	10/01/2014	100,000	100,000	50,400
	4.65%	10/01/2015	100,000	100,000	45,775
	4.70%	10/01/2016	100,000	100,000	41,100
	5.00%	10/01/2017	125,000	125,000	35,625
	5.00%	10/01/2018	125,000	125,000	29,375
	5.00%	10/01/2019	125,000	125,000	23,125
	5.00%	10/01/2020	200,000	200,000	15,000
	5.00%	10/01/2021	<u>200,000</u>	<u>200,000</u>	<u>5,000</u>
Total 2002 General Obligation					
Unlimited Tax Bonds Payable			<u>1,450,000</u>	<u>1,400,000</u>	<u>619,037</u>
Total General Obligation					
Unlimited Tax Bonds Payable			<u>4,225,000</u>	<u>3,950,000</u>	<u>1,405,399</u>

CITY OF UTICA, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2008

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>Annual Interest Payable</u>
BUILDING AUTHORITY LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, SERIES 2003, DATED 7/1/2003, TOTAL ISSUED - \$2,145,000					
	2.50%	11/01/2008	140,000	-	48,460
	2.50%	11/01/2009	135,000	135,000	45,023
	3.00%	11/01/2010	160,000	160,000	40,935
	3.00%	11/01/2011	155,000	155,000	36,210
	3.00%	11/01/2012	155,000	155,000	31,560
	3.00%	11/01/2013	175,000	175,000	26,610
	3.20%	11/01/2014	170,000	170,000	21,265
	3.30%	11/01/2015	170,000	170,000	15,740
	3.40%	11/01/2016	190,000	190,000	9,705
	3.50%	11/01/2017	<u>185,000</u>	<u>185,000</u>	<u>3,238</u>
Total Building Authority Refunding Bonds, Series 2003, Payable			<u>1,635,000</u>	<u>1,495,000</u>	<u>278,746</u>
2000 DOWNTOWN DEVELOPMENT LIMITED TAX GENERAL OBLIGATION BONDS, DATED 8/1/2000, TOTAL ISSUED - \$995,000					
	5.05%	10/01/2008	125,000	-	25,836
	5.10%	10/01/2009	125,000	125,000	19,493
	5.15%	10/01/2010	150,000	150,000	12,442
	5.20%	10/01/2011	<u>165,000</u>	<u>165,000</u>	<u>4,290</u>
Total 2000 Downtown Development Bonds Payable			<u>565,000</u>	<u>440,000</u>	<u>62,061</u>
Total General Obligation Limited Tax Bonds Payable			<u>2,200,000</u>	<u>1,935,000</u>	<u>340,807</u>

(Continued)

CITY OF UTICA, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2008

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>Annual Interest Payable</u>
WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BONDS, SERIES 2003, DATED 8/1/2003, TOTAL ISSUED - \$730,000					
	3.25%	10/01/2008	100,000	-	11,050
	3.25%	10/01/2009	100,000	100,000	7,800
	3.25%	10/01/2010	95,000	95,000	4,631
	3.25%	10/01/2011	<u>95,000</u>	<u>95,000</u>	<u>1,544</u>
Total Series 2003 Revenue Bonds Payable			<u>390,000</u>	<u>290,000</u>	<u>25,025</u>
WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BONDS, SERIES 2001, DATED 2/1/2001, TOTAL ISSUED - \$305,000					
	4.60%	10/01/2008	20,000	-	8,985
	4.65%	10/01/2009	20,000	20,000	8,060
	4.70%	10/01/2010	20,000	20,000	7,125
	4.75%	10/01/2011	25,000	25,000	6,061
	4.85%	10/01/2012	25,000	25,000	4,861
	4.90%	10/01/2013	25,000	25,000	3,643
	5.00%	10/01/2014	30,000	30,000	2,280
	5.10%	10/01/2015	<u>30,000</u>	<u>30,000</u>	<u>765</u>
Total Series 2001 Revenue Bonds Payable			<u>195,000</u>	<u>175,000</u>	<u>41,780</u>
Total Water and Sewage Disposal System Revenue Bonds Payable			<u>585,000</u>	<u>465,000</u>	<u>66,805</u>
Total Bonds Payable			<u>\$7,010,000</u>	<u>\$6,350,000</u>	<u>\$1,813,011</u>

Robert G. Van Vleet, CPA
Mark S. Zaleski, CPA
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RESULTS OF THE AUDIT

To the Honorable Mayor and
Members of the City Council
City of Utica, Michigan
7550 Auburn Road
Utica, Michigan 48317

We have audited the financial statements of the City of Utica for the year ended June 30, 2008 and have issued our report thereon dated December 19, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 12, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the City of Utica. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

To the Honorable Mayor and
Members of the City Council
City of Utica, Michigan

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Utica are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2008.

We noted no transactions entered into by the City of Utica during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. The financial statements do not include any estimates that we have deemed to be particularly sensitive.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has posted all proposed audit adjustments.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated December 19, 2008.

To the Honorable Mayor and
Members of the City Council
City of Utica, Michigan

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In the normal course of our professional association with the City of Utica, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the City of Utica, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the City of Utica's auditors.

This information is intended solely for the use of the Mayor, Members of the City Council, and management of the City of Utica, and is not intended to be and should not be used by anyone other than these specified parties.

Paul V. Engstrom & Co., L.L.P.

Southfield, Michigan
December 19, 2008